

96-F-0550

DEPARTMENT OF DEFENSE PLAN FOR STREAMLINING THE BUREAUCRACY



DECEMBER 1993

#797

PREFACE

President Clinton has pledged to keep America's military the best-trained, best-equipped, and best-prepared fighting force in the world, and has directed the Department of Defense (DoD) to examine the Nation's defense forces in light of new security challenges. Ensuring this mandate in light of the dramatic changes in the international security environment has driven the Department to review the basic premises of the Nation's security needs.

The Department has undertaken to reassess and redefine all defense strategy, tactics, doctrine, concepts, plans, programs, forces, and resources required to meet the demands of the new international security environment. This continuing assessment of the Nation's defense posture has identified dramatic changes in the environment which do not alter the basic mission of the Department, but which do offer it an opportunity to downsize, reinvent, or streamline.

Consistent with the principles of the President's National Performance Review, the Department has set about to improve how DoD works. The restructuring of the Office of the Secretary of Defense, Bottom-Up Review, Acquisition Reform, and other streamlining initiatives outlined in this plan are all focused on making the Department work better at less cost. As a result, the reduction in the Department's civilian work force will exceed the 12 percent directed in the President's memorandum of September 11, 1993.

To enable the Department to improve how it works and achieve these civilian work force reductions, the streamlining initiatives in this plan must be implemented in a timely manner. In particular, DoD must continue to incorporate quality principles, innovation, and continuous process improvement at all levels. The transformation to "total quality" will not occur in six months or a year. It will take many years, but the important point is that the journey has begun. The civilian and military men and women who are the backbone of the Department are committed to making it happen.

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
PREFACE	i
EXECUTIVE SUMMARY	v
PART I. INTRODUCTION.....	1
Purpose.....	2
Background	2
Overview	2
PART II. RIGHTSIZING THE CIVILIAN WORK FORCE	3
Strategies for Rightsizing the Civilian Work Force	4
Reductions in Programmed Civilian Work Years	5
Reductions in Management Headquarters Positions	6
Reductions in Executive, Managerial, and Supervisory Positions.....	7
Civilian Adjustment and Re-Employment (CARE) Program	10
PART III. STREAMLINING MISSIONS AND PROGRAMS.....	11
Restructuring of the Office of the Secretary of Defense	12
Bottom-Up Review of Defense Requirements	13
Base Closure and Realignment.....	15
PART IV. STREAMLINING FUNCTIONS AND PROCESSES	17
Defense-Wide Management Initiatives	18
Defense Performance Review.....	19
Defense Regulatory Reform	22
Benchmarking of Best Practices	23
Functional Process Improvement	24
Outsourcing of Non-Core Functions	26
Reinvention Laboratories	27
Information Management Initiatives	29

<u>Section</u>	<u>Page</u>
Acquisition Management Initiatives	31
Acquisition System Re-Engineering	32
Legislative and Regulatory Reform.....	33
Financial Management Initiatives.....	34
Defense Business Operations Fund (DBOF) and Unit Cost	35
Implementation of the Government Performance and Results Act.....	36
Human Resource Management Initiatives.....	38
Defense Quality Leadership	39
Work Force Motivation	41
Labor-Management Partnership	42
Human Resource Management (HRM) Redesign	43
Common Personnel Regulations	44
Common Staff Resources	44
Common Information Systems	45
Common Administrative Support.....	45
HRM Redesign Team	46
PART V. SUMMARY.....	49
Rightsizing the Civilian Work Force.....	50
Simplifying the Internal Organization and Administrative Processes	51
Decentralizing Management Decision Making	53
Reducing Overcontrol and Micromanagement.....	54
Delegating More Responsibility and Authority	55
Empowering Employees to Make Decisions.....	56
Holding Managers and Employees Accountable	57
Improving Quality and Customer Service	58
Improving Work Force Morale and Productivity	59
Achieving Cost Savings and Performance Benefits	60
APPENDIX.....	61
President's Memorandum of 11 September 1993, Streamlining the Bureaucracy	A-1

EXECUTIVE SUMMARY

The President's memorandum of September 11, 1993, "Streamlining the Bureaucracy", requires the Secretary of Defense to prepare a plan for streamlining the Department of Defense (DoD) bureaucracy to accomplish the following objectives:

- Reduce the civilian work force by at least 12 percent by the close of Fiscal Year 1999.
- Reduce the ratio of supervisors-managers to other employees by half within 5 years.
- Simplify the internal organization and administrative processes.
- Increase decentralization.
- Reduce overcontrol and micromanagement.
- Increase delegation of authority.
- Increase empowerment of employees to make decisions.
- Improve mechanisms to hold managers and employees accountable for performance.
- Improve quality of services.
- Improve morale and productivity.
- Reduce costs.

This streamlining plan describes the strategies, programs, and initiatives required to streamline the DoD bureaucracy and achieve these objectives.

Part I states the requirement or purpose for the plan, describes its context and background, and provides an overview of the plan.

The plan describes the DoD civilian work force reductions and enabling initiatives that will downsize, reinvent, or streamline the Department and implement the President's memorandum, while ensuring that our Nation will remain in a position of security and strength. The continuing assessment of the Nation's defense posture has identified dramatic changes in the international security environment which do not alter the basic mission of the Department, but which do offer it an opportunity to downsize, reinvent, or streamline. As the Nation's defense requirements and resource constraints change, this plan may be modified accordingly. In particular, the DoD civilian work force reduction targets will be subject to further refinement. The plan summarizes DoD civilian work force rightsizing strategies and programs, and the major streamlining initiatives that will enable the Department to achieve the required civilian work force reductions.

Part II describes the DoD strategies for rightsizing its civilian work force and programs for implementing required reductions in: civilian employees; civilian employment work years; management headquarters and related support positions; and executive, managerial, and supervisory positions. As the Department downsizes in response to the Nation's changing defense requirements and resource constraints, the size and composition of the defense civilian work force must also change. The success of the

overall DoD downsizing effort depends on implementing effective strategies to adjust the size and composition of the civilian work force for each successive downsizing phase.

The Department's basic strategy is to rely on commanders and managers of defense organizations to determine their minimum skill and staffing requirements, while accomplishing necessary civilian personnel reductions through attrition. The Department places excess employees in position vacancies whenever possible, and uses monetary incentives to encourage voluntary separation of employees in surplus skill categories and in areas undergoing major reductions-in-force (RIFs). When involuntary separation of an employee is required, the Department assists the employee with making the adjustment. To support these strategies, the Department sets civilian work force reduction targets and monitors progress in meeting them. The Department also monitors critical work force characteristics, such as the diversity of its composition, and undertakes initiatives to improve the morale, quality, and productivity of the work force.

Implementation of the streamlining initiatives and programs described in this plan will enable the Department to achieve an 18 percent reduction in overall DoD civilian employment work years during Fiscal Year (FY) 1993-1999. This reduction is well in excess of the 12 percent minimum required by the President's memorandum, and it will be accomplished without compromising mission performance and incurring wide-spread RIFs. Also, the overall DoD ratio of supervisors-managers to other employees will be halved from the current baseline of 1:6.5 to the objective of 1:13 by the close of FY 1999 as required by the President's memorandum.

Parts III and IV describe the major DoD enabling initiatives currently being implemented or planned to downsize, reinvent, or streamline primary defense missions, programs, and supporting infrastructure (Part III) and secondary defense functions and processes (Part IV). Successful implementation of these initiatives will provide the basis for streamlining the civilian work force and achieving the objectives of the President's memorandum.

The Department has completed the *Restructuring of the Office of the Secretary of Defense (OSD)* to streamline the OSD organization and administrative processes, refocus efforts on accomplishing the new post-Cold War mission, and achieve quality and productivity improvements. This change is improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. To achieve similar results DoD-wide, this plan requires the Military Departments, Defense Agencies, and Defense Field Activities to review their line and staff organizational structures and change them as needed.

The Department has completed a *Bottom-Up Review* which reinvented the Nation's defense strategy, supporting objectives, and guiding principles, and identified the forces, capabilities, modernization requirements, and policy initiatives needed for

implementation. The Department has also initiated a *Nuclear Posture Review* to reassess our nuclear policy in light of the new international security environment. As a result, the Department will reduce combat forces and related support forces, including cuts in the infrastructure of bases, centralized maintenance depots, and supply facilities. The mix of forces will also change, and the resulting force will be smaller and less expensive than the base force, with fewer people, fewer systems, and smaller programs. Also, more defense infrastructure will be returned to productive, private reuse, consistent with the President's plan for revitalizing the American economy. This plan requires the Department to implement decisions approved in the DoD Bottom-Up Review to streamline its primary missions, programs, and supporting infrastructure.

The Department has recently completed a *Base Closure and Realignment* report which supports the national goals of maintaining military effectiveness while drawing down the force, reducing the deficit, and reinvesting in America. This plan requires the Department to continue evaluating base closure and realignment opportunities and implementing approved decisions to streamline its primary missions, programs, and supporting infrastructure.

The *Defense Performance Review (DPR)* initiative requires the Department to implement the principles of the National Performance Review and adopt successful innovations and management improvements in the Department. The DPR built on previous DoD reinvention efforts and the principles of quality leadership, management, and culture to devise innovative ways to encourage more business-like practices and market-driven efficiencies in the Department.

The DPR identified twelve streamlining initiatives. The first prototype addresses steps needed to deploy a quality culture throughout the Department. The second prototype sets forth a process for reviewing internal policy with a view toward eliminating prescriptive process requirements and focusing on performance metrics that will measure success and then rewriting policy directives to include better guidance and fewer procedures. The third and fourth prototypes focus on competition and outsourcing of non-core DoD functions when doing so makes operational and economic sense, and purchasing best-value common services and supplies. The fifth and sixth prototypes focus on defense bases as installations of excellence, where commanders and their people are empowered to manage and are held accountable for results. These bases will demonstrate national leadership in environmental cleanup, conservation, compliance and pollution prevention to create a healthy and safe environment for DoD activities. The seventh prototype involves a three-pronged approach to expanding the use of technology in the DoD medical system in order to manage and deliver the highest quality health care at the lowest possible price and maximize the efficiency of DoD health care operations. The remaining five initiatives are: streamlining and reorganizing the Army Corps of Engineers; creating incentives for the Department to generate revenues; establishing a unified budget for the Department; establishing and promoting a productivity-enhancing capital investment fund; and reducing some National Guard and Reserve costs.

The *Defense Regulatory Reform* initiative will empower employees to make decisions by clarifying policy directives, eliminating unnecessary or excessively burdensome guidelines and procedures, and streamlining the Department's regulatory structure. Consistent with Executive Order 12801, this initiative calls for reducing DoD regulations by 50 percent.

The *Benchmarking of Best Practices* initiative is a systematic process for evaluating products, services, and work processes that are recognized as best-in-class for the purpose of organizational improvement. It involves comparing internal DoD business performance against external standards of excellence, and then closing the gap. It is a structured analysis which examines an internal DoD business process, identifies drivers of the process, identifies "best-in-class" external standards of excellence, and implements DoD process improvements. It short-circuits the "do a little better, a little faster" evolutionary approach to business process improvement by identifying opportunities for innovation as well as continuous improvement. Benchmarking frequently results in quantum leaps in organizational improvement, significant cost reductions, substantial streamlining or dramatic reductions to cycle time. Consistent with the National Performance Review recommendation that benchmarking be used to streamline the bureaucracy and reduce costs, the Defense Planning Guidance directs a 12 percent reduction in the defense infrastructure by Fiscal Year 1999 and recommends the use of "best business practices" as a means to make this reduction. A key objective of this streamlining plan is to adopt benchmarking where appropriate to improve DoD business practices and reduce the costs of the defense infrastructure.

The *Functional Process Improvement* (also known as *Business Process Re-engineering*) initiative enables the Department to eliminate non-value-added steps and to perform essential steps more effectively and efficiently. The premise of business process re-engineering is that the people who perform functions are those who should be in charge of changing them. From a Defense-wide point of view, this means that the person responsible for leadership of each function--namely, the Secretary of Defense's Principal Staff Assistant for that function--has the responsibility for streamlining the processes within his or her purview and for ensuring the participation of the affected Military Departments and other DoD elements. As the functional process owner, the Principal Staff Assistant engages the Military Departments and other DoD elements in functional redesign efforts. Authority for making these changes also rests with that Principal Staff Assistant. Their managers and employees are empowered to examine the ways they do business, including the underlying assumptions, and implement innovations and improvements needed to reduce costs and improve performance.

The *Outsourcing of Non-Core Functions* initiative requires the Department to outsource non-core functions when it makes operational and economic sense. In general, DoD core functions include combat forces, command of combat forces, deployable combat or combat service support, and the rotational base for personnel in these functions. However, core functions are not limited to combat or combat-related activities. The Department cannot devote significant resources to performing non-core

functions when non-DoD providers are available to do them better, cheaper and faster. As a result, the Department will be better able to focus on its core functions and to absorb current and future reductions.

The *Reinvention Laboratories* initiative offers opportunities for experimenting with creative, innovative ways of doing business, demonstrating the success of these initiatives in improving performance and reducing costs, and providing a basis for expanding the successful initiatives throughout the Department. For example, *Battle Laboratories - Army* consists of six laboratories which are organized as combined arms and services teams focused on areas where changes in technology, training and doctrine can provide significant leverage to enhance deployment and combat effectiveness of forces. Battle Labs integrate technological and materiel advances, state-of-the-art simulation techniques, and innovative training for field soldiers to reduce life cycle costs, lower technical risks and decrease fielding times for new equipment. The success of these efforts is leading and showing the way for more such initiatives.

The *Information Management* initiative includes innovative DoD Corporate Information Management (CIM) programs to help DoD managers streamline their functions and processes and make better use of information technologies where they are appropriate, as well as programs to strengthen and standardize the information technology support in the Department. The CIM programs include the following major initiatives:

- Functional Process Improvement. This initiative involves the re-engineering of DoD functional processes to make them more effective and efficient.
- Data Administration. This initiative involves the standardization of data so that it can be shared among functions and passed freely among DoD Components.
- Information Technology Policy and Standards. This initiative involves providing a consistent basis for Defense information systems, in terms of both hardware and software, while eliminating biases to any given vendor's products and services.
- Automated Information System Migration. This initiative involves elimination of duplicative automated information systems supporting any given function, and the development of new information systems for use by all DoD Components.
- Department-Wide Integration of Information Applications. This initiative involves providing consistent direction for sharing of information and systems across functions.

The *Acquisition Management* initiative involves total reform of the acquisition system, including the legislative and regulatory base. The DoD Acquisition Reform effort involves two main components:

- Acquisition System Re-Engineering. This initiative involves reinventing and re-engineering every segment of the acquisition system. It includes proposals to address the recommendations of the Report of the Acquisition Law Panel to the United States Congress of January 1993. It also includes the creation of process action teams to address other statutory and regulatory issues.
- Legislative and Regulatory Reform. The DoD Acquisition Reform initiative has identified specific legislative and regulatory proposals which form the nucleus of the Department's recommendations for streamlining the acquisition process in the following areas:
 - *Simplified Acquisition Thresholds*
 - *Socioeconomic and Small Business Programs*
 - *Commercial Item Acquisition*
 - *Defense Acquisition Pilot Program*
 - *Military Specifications and Standards*
 - *Contract Formation*
 - *Contract Administration*
 - *Major Systems and Testing Statutes*
 - *Defense Trade and Cooperation*
 - *Intellectual Property Rights*
 - *Service-Specific Acquisition Laws*
 - *Standards of Conduct*

These proposals have been transmitted to the Office of Management and Budget and are addressed in the Administration's position on acquisition reform.

The *Financial Management* initiative addresses the continuing need to improve the efficiency and effectiveness of the defense support establishment in order to maintain defense readiness at an affordable cost. The Department's financial management goal is to establish a robust financial system that allows DoD managers at every level to evaluate the performance of selected support infrastructure operations as well as their costs. The financial management initiative involves two main components:

- The Defense Business Operations Fund (DBOF) and Unit Cost initiatives include several financial management reforms being implemented to improve financial management information, facilitate more consistent cost accounting policies and systems, increase cost awareness among decision makers, and reduce overall DoD capital requirements. As a result of these initiatives, DoD financial and functional management communities are jointly pursuing better ways to reduce the size and expense of the defense support establishment.
- The Implementation of the Government Performance and Results Act initiative involves shifting resource management focus from inputs to outputs and outcomes from a customer perspective, consistent with the direction endorsed by the National

Performance Review (NPR) and the Government Performance and Results Act (GPRA) of 1993. The GPRA requires Federal agencies to identify pilot projects for strategic planning and performance measurement, managerial flexibility, and performance budgeting. The NPR reinforced implementation of GPRA by encouraging all agencies to begin strategic planning and performance measurement whether they are pilots under the GPRA or not. The NPR further asks that each agency measure and report on past goals and performance as part of its Fiscal Year 1996 budget request. The GPRA requires Federal agencies to: develop strategic plans and performance measures, prepare annual plans setting performance goals, and report annually on actual performance as a part of budget submissions.

The *Human Resource Management* initiative supports the overall DoD downsizing effort by improving quality and productivity within the Department as a whole, as well as improving the effectiveness and efficiency of the HRM functional area. As a result of the National Performance Review (NPR) recommendation to decentralize civilian personnel policy, the Department has a unique opportunity to reinvent or streamline its human resource management (HRM) policies, programs, and practices to create a new HRM system that works better at less cost. These following initiatives will implement HRM-related NPR recommendations within the Department:

- **Defense Quality Leadership.** The Department will incorporate Quality Management (QM) principles into every facet of the DoD mission. Quality management applies the power of teamwork, individual contributions, quantitative methods, and systems theory to achieve the Department's goals. It relies on leadership from DoD executives to create a quality culture and work environment that will encourage active participation of all members of the Department and its customers and suppliers in identifying and implementing opportunities for innovation and continuous improvement. In a quality culture, employees are empowered to surface problems and fix those for which they have resources. Responsible initiative is required throughout the Department, where resources are limited. Mutual trust between the organization and its employees must be fostered so that everyone is committed to the organization's mission.
- **Work Force Motivation.** One approach to improving the quality and productivity of defense operations is to utilize incentives to involve and empower employees. The purpose is to motivate employees to increase productivity and creativity by rewarding those whose job performance and adopted ideas benefit the government and exceed job requirements and performance standards. Groups or individuals may be recognized or rewarded for suggestions, inventions, superior performance, and special acts or services. As a result of the National Performance Review recommendation to decentralize civilian personnel policy, the Department has a unique opportunity to reinvent or streamline the DoD Incentive Awards Program and create a better program of work force incentives. This initiative requires the Department to capitalize on its legislative and regulatory flexibilities to develop and implement innovative employee incentive systems. For example, Productivity Gain Sharing

(PGS) programs use incentives for employees to work together to improve productivity and achieve more efficient, effective use of resources. The resulting gains (savings) from these improvements are shared between the employees and the organization.

- Labor-Management Partnership. The National Performance Review (NPR) recommended that the President establish labor-management partnerships as a goal of the Executive Branch. In response, President Clinton issued Executive Order 12871, "Labor-Management Partnerships". The Order recognizes that the involvement of Federal employees and their union representatives is essential to achieving NPR objectives, and that the nature of Federal labor-management relations must be changed so that managers, employees, and unions act together as partners in designing and implementing comprehensive changes necessary to reform the Federal Government. This initiative requires the Department to use labor-management partnership arrangements as an effective avenue for employees and unions to assist in identifying and implementing opportunities for change. Through such arrangements, unions can provide valuable and necessary insights into how best to streamline DoD organizations and processes. They can advocate improved labor-management relationships and simplified dispute resolution processes which can expedite the streamlining process. They can participate in effective quality management and gain sharing initiatives. They can also help to design and implement initiatives which reduce the impact of streamlining on employees. By involving employees through their elected union representatives, the Department has the opportunity to gain their trust, commitment to change, and political support for necessary legislative changes.
- HRM Redesign. This initiative identifies HRM streamlining opportunities and ensures the implementation of related initiatives, such as: (1) *Common Personnel Regulations*--Streamline and deregulate civilian personnel management by consolidating and simplifying policies and procedures within a common regulatory framework; (2) *Common Staff Resources*--Consolidate, streamline, and standardize common staff functions and services to reduce unnecessary overhead and achieve economies of scale; (3) *Common Information Systems*--Develop and implement the Strategic Information Systems Plan for the Defense Civilian Personnel Data System (DCPDS) to provide a common standard civilian personnel management information system with improved performance and reduced cost; (4) *Common Administrative Support*--Eliminate the duplicative administrative support activities performed in installation-level personnel offices by capitalizing on efficiencies made possible by a common standard civilian personnel management information system; and (5) *HRM Redesign Team*--Focus the Department's efforts on reinventing and streamlining civilian personnel administration. With the vision of dynamic leadership and quality people in partnership to accomplish the DoD mission, the Department will strive to hire the best, train them well, and treat them fairly. The HRM Redesign Team is developing specific objectives and initiatives required to accomplish these goals. To ensure representation of all viewpoints, the DoD HRM Redesign Team includes not only expert personnel management specialists and equal opportunity specialists, but

also line managers from the Office of the Secretary of Defense and the other DoD Components as well as representatives of national unions representing DoD employees.

Part V summarizes how the strategies, programs, and initiatives described in this plan will streamline the DoD bureaucracy and address the specific objectives of the President's memorandum.

Appendix A is the President's memorandum.

PART I. INTRODUCTION

Part I of this "Department of Defense Plan for Streamlining the Bureaucracy" states the requirement or purpose for the plan, describes its context and background, and provides an overview of the subsequent parts of the plan.

Purpose

The President's memorandum of September 11, 1993 directed the Secretary of Defense to prepare a plan for streamlining the Department of Defense (DoD) bureaucracy and submit it to the Director of the Office of Management and Budget not later than December 1, 1993. **This plan describes the DoD civilian work force reductions and enabling initiatives that will downsize, reinvent, or streamline the Department and implement the President's memorandum, while ensuring that our Nation will remain in a position of security and strength.**

Background

This plan represents currently planned DoD streamlining initiatives in an era of changing defense requirements and resource constraints. These initiatives have evolved as a result of the continuing assessment of the Nation's defense posture as reflected in a series of DoD reports, such as the "Secretary of Defense Annual Report to the President and the Congress" (January 1993), the "Defense Strategy for the 1990s: The Regional Defense Strategy" (January 1993), the "Chairman of the Joint Chiefs of Staff Report on the Roles, Missions, and Functions of the Armed Forces of the United States" (February 1993), the "DoD Base Closure and Realignment Report" (March 1993), and the "1993 Joint Military Net Assessment" (August 1993). This plan is based on the current status of this assessment and related recommendations as described in the "Secretary of Defense Report on the Bottom-Up Review" (October 1993), the "DoD Accompanying Report of the National Performance Review" (in press), and other studies and analyses within the Department. This continuing assessment of the Nation's defense posture has identified dramatic changes in the DoD environment which do not alter the basic mission of the Department, but which do offer it an opportunity to downsize, reinvent, or streamline. **As the Nation's defense requirements and resource constraints change, this plan may be modified accordingly. In particular, DoD civilian work force reduction targets will be subject to further refinement to ensure that this plan will remain consistent with the President's Budget for Fiscal Year 1995.**

Overview

This plan summarizes DoD civilian work force rightsizing strategies and programs (Part II) and major enabling initiatives currently being implemented or planned to downsize, reinvent, or streamline defense missions and programs (Part III) and supporting functions and processes (Part IV). This plan also summarizes the DoD actions required to implement the President's memorandum (Part V). Attached is the President's memorandum (Appendix A).

II. RIGHTSIZING THE CIVILIAN WORK FORCE

Part II of this plan describes Department of Defense (DoD) strategies for rightsizing its civilian work force and programs for implementing required reductions in: civilian employees; civilian employment work years; management headquarters and related support positions; and executive, managerial, and supervisory positions.

Strategies for Rightsizing the Civilian Work Force

Action: The Under Secretary of Defense (Personnel and Readiness) will--

- **Implement appropriate strategies for rightsizing the civilian work force to ensure optimum defense performance and achieve the required civilian work force reductions on schedule, not later than the end of Fiscal Year 1999.**
- **Ensure that these reductions reflect actions taken by the Secretary of Defense's Principal Staff Assistants, the Heads of Military Departments, and Directors of Defense Agencies and Field Activities to reinvent or streamline defense missions and programs and their supporting functions and processes.**

Discussion: As the Department downsizes in response to the Nation's changing defense requirements and resource constraints, the size and composition of the DoD civilian work force must also change. The streamlining of DoD missions and programs and their supporting functions and processes provides the basis for reducing the civilian work force. To ensure optimum defense performance, the Department must "rightsize" the civilian work force for each successive reduction phase. The success of the overall DoD downsizing effort depends on implementing effective strategies to adjust the size and composition of the civilian work force to meet changing defense requirements and resource constraints.

The Department's basic strategy for rightsizing the civilian work force is to rely on commanders and managers of defense organizations to determine their minimum skill and staffing requirements, while accomplishing necessary civilian personnel reductions through attrition whenever possible. To maximize internal placement opportunities, retain critical skills, and shape the composition of the civilian work force, the Department uses monetary incentives to encourage voluntary separation of employees in surplus skill categories and areas undergoing major reductions in force. To avoid involuntary separations and capitalize on the experience of the civilian work force, the Department places its excess employees in position vacancies whenever possible. When involuntary separation of an employee is required, the Department assists the employee in every possible way with making the required adjustment.

To support implementation of these strategies, the Department sets civilian work force reduction targets and monitors progress in meeting them, in areas such as civilian employment work years; management headquarters and related support positions; and senior executive, high-grade managerial, and supervisory positions. Also, the Department monitors critical aspects of the work force, such as the diversity of its composition, and undertakes initiatives to improve the morale, quality, and productivity of the work force.

Reductions in Programmed Civilian Work Years

Action: The Under Secretary of Defense (Personnel and Readiness) will ensure that the Department achieves the required civilian work force reductions on schedule, not later than the end of Fiscal Year 1999, without compromising mission performance and incurring wide-spread reductions-in-force (RIFs).

Discussion: To implement the DoD civilian work force reductions directed in the President's memorandum of September 11, 1993 (Appendix A), the Department has programmed reductions in civilian work years of approximately 165,500 or 18 percent between Fiscal Year (FY) 1993 and FY 1999. This exceeds the President's call for a 12 percent reduction during FY 1993-1999. Table 1 shows the programmed civilian work year levels and reductions for the Department as a whole and for major DoD Components.

TABLE 1

Defense Direct Hire Full-Time Equivalent Work Year Levels and Reductions¹

DoD Component	Base FY 1993 ²	FY 1994 ²	FY 1995 ³	FY 1996 ³	FY 1997 ³	FY 1998 ³	FY 1999 ³	Cumulative Reduction FY 1993 - FY 1999	
								Amount	Percent
Army	296,450	264,556	261,361	258,308	256,681	254,580	252,573	-43,877	-15%
Navy and Marine Corps	287,251	268,551	251,306	232,210	223,076	216,386	212,630	-74,621	-26%
Air Force	200,282	196,735	192,678	184,406	178,454	174,763	171,367	-28,915	-14%
Defense Agencies ¹	147,780	156,116	149,514	148,439	139,747	134,368	129,654	-18,126	-12%
Total DoD	931,763	885,958	854,859	823,363	797,958	780,097	766,224	-165,539	-18%

Notes:

1. Excludes National Security Agency (NSA).
2. Adjusted to include Disadvantaged Youth Employment.
3. FY 1995 Budget Review Estimates.

Reductions in Management Headquarters Positions

Action: The Under Secretary of Defense (Personnel and Readiness) will ensure that the Department--

- Implements currently planned reductions in management headquarters and related support positions.
- Continues streamlining its management headquarters and related support activities beyond Fiscal Year 1995 as the downsizing initiatives, management innovations, and other improvements described in this plan are implemented.

Discussion: The DoD management headquarters and related support activities include the Office of the Secretary of Defense, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the headquarters of the Unified and Specified Commands, the headquarters of the Defense Agencies, the Service Secretariats and Service Staffs, the headquarters of the major Service Commands, and other organizations that manage the programs and activities of the Department and its principal Components. The Department is now in the midst of a five-year effort to reduce the size of its management headquarters and related support activities by 20 percent from the Fiscal Year (FY) 1990 baseline. This effort was begun in 1991 in response to Section 906 of the National Defense Authorization Act for FY 1991 (Public Law 101-510). Through internal streamlining and, in some cases the elimination of entire headquarters, the Department has succeeded in meeting its intermediate year-end goals. The experience to date indicates that, at the culmination of the effort in FY 1995, the Department may exceed the original reduction target. The management headquarters reduction affects both military and civilian manpower. Table 2 shows the projected reduction.

TABLE 2

Reductions in Management Headquarters Positions:
Fiscal Year (FY) 1990-1995

DoD Component	FY 1990 Baseline	FY 1995 Projection	FY 1990-1995	
			Amount	Percent
Total DoD	72,060	57,556	-14,504	-20.1%

Reductions in Executive, Managerial, and Supervisory Positions

Action: The Under Secretary of Defense (Personnel and Readiness) will ensure that the Military Departments, Defense Agencies, and other DoD Components--

- Reduce their civilian executive, managerial, and supervisory positions beginning in January 1994.
- Take appropriate actions to achieve the required reductions on schedule, not later than the end of Fiscal Year 1999.

Discussion: As the Department streamlines its management headquarters and related support activities and restructures its other line and staff organizations, reductions can be achieved in civilian Senior Executive Service (SES), high-grade managerial (GS-15, GS-14, and/or equivalent level), and supervisory positions. Some military executive, managerial, and supervisory positions will be converted to civilian positions. Some civilian positions will be redescribed or reclassified as non-executive, non-managerial, or non-supervisory positions. But the net result will be substantial reductions in civilian executive, managerial, and supervisory positions.

The Department is implementing reductions directed by Executive Order 12839, "Reduction of 100,000 Federal Positions", and Office of Management and Budget Bulletin 93-08 which required that at least 10 percent of the 100,000 civilian reduction be achieved in SES and other high grade positions. The Department is reducing its SES and other high-grade positions commensurate with the overall civilian personnel work force reduction.

Table 3 shows the planned reductions in civilian high-grade (i.e., GS-14, GS-15, and SES, or equivalent) positions for the Department. These reductions take into account the size of the civilian work force reduction over the Fiscal Year (FY) 1992-1995 period and the current ratio of high grade positions to total positions in the DoD Components. These reductions were determined by apportioning an overall reduction of 3,721 high-grade positions among the DoD Components on an equitable basis. The 3,721 target represents a 9.6 percent reduction in high-grade positions, while the overall programmed reduction in total positions is 9.0 percent during FY 1992-1995 (Summer 1993 baseline). Thus, DoD will reduce its high-grade positions by a greater percentage than it will reduce its non-high grade positions over this time period.

The planned reductions in high-grade positions include upper bounds on employment of SES personnel. Congressional action on the FY 1993 defense appropriation specified that reductions in SES employment must be made commensurate with the DoD drawdown. Thus, the congressionally specified reductions act as an upper bound to the employment of SES in the Department. Except for that constraint, the planned reductions may be taken anywhere in the Grade 14 through SES range.

TABLE 3

**Planned Reductions in Civilian High-Grade Positions:
Fiscal Year (FY) 1993-1995**

DoD Component	FY92 Ratio	FY93	FY94	FY95	FY93-95 Total	FY95 Ratio	High Grade Percent Change (FY92-95)	Total Force Percent Change (FY92-95)
Army	1:22	-304	-456	-457	-1,217	1:22	-9.3%	-8.4%
Navy/MC	1:23	-558	-836	-837	-2,231	1:23	-17.6%	-16.7%
USAF	1:34	-142	-212	-212	-566	1:34	-9.5%	-8.6%
Other DoD	1:21	73	110	110	293	1:21	4.2%	5.1%
Total		-931	-1,394	-1,396	-3,721		-9.6%	-9.0%

The President's memorandum of September 11, 1993 (Appendix A) requires the Department to halve its ratio of supervisors-managers to other employees by the end of Fiscal Year (FY) 1999. Table 4 shows the current baseline ratio (1:6.5) and number of defense civilian supervisors-managers (111,200), plus the objective ratio (1:13) to be achieved by the end of FY 1999. It shows DoD's projected number of supervisors-managers (47,200) after achieving the objective ratio and adjusting for programmed reductions in the DoD civilian work force at the end of FY 1999.

The Department will achieve these required reductions in civilian executive, managerial, and supervisory positions by changing the fundamental way that the Department does business. Functional managers will establish "benchmarks" to define best business practices and implement process innovations and improvements that will streamline layers of management and concentrate more on output than input. Concurrently with these initiatives and the other reinvention or streamlining initiatives described in this plan, the Department will work towards implementing a quality culture characterized by delegating more responsibility and authority; decentralizing management; reducing overcontrol and micromanagement; empowering the work force; holding managers and employees accountable for results; improving defense quality and customer service; and raising work force morale and productivity.

TABLE 4

**Ratio of Supervisors-Managers¹ to Other Employees
and Strength of Supervisors-Managers:
Current Status and Fiscal Year 1999 Objectives**

Supervisors-Managers Per Other Employees	Current Status	FY 1999 Objectives
Ratio	1:6.5	1:13
Strength	111,200	47,200²

Notes:

1. The term "supervisory-managerial position" is defined as any position which meets the supervisory criteria in the Office of Personnel Management Supervisor Grade Evaluation Guide, or which has the full range of managerial functions delineated in the guide.

2. Strength resulting after achieving the objective ratio and adjusting for programmed reductions in the DoD civilian work force.

Civilian Adjustment and Re-Employment (CARE) Program

Action: The Under Secretary of Defense (Personnel and Readiness) will ensure that the Department continues implementing its CARE Program as the cornerstone of the DoD civilian personnel reduction strategy.

Discussion: To minimize the negative impact of downsizing on DoD civilian employees, the Department uses the CARE Program (successor to the DoD Priority Placement Program) to place excess employees in position vacancies whenever possible. Since January 1993, approximately 5,400 displaced civilian employees have been placed in position vacancies through this DoD priority placement program. To maximize placement opportunities and minimize the number of employees separated involuntarily, the Department initiated aggressive use of the voluntary separation incentives as a part of the CARE Program in January 1993. The separation incentives have been used at the activity or installation level, within major commands, within DoD Components and across Component lines to encourage voluntary separation of employees in surplus skill categories or in areas undergoing major reductions in force (RIFs).

The combination of separation incentives and internal placements under the CARE Program has proven to be a very cost-effective approach to the reduction of involuntary separations. To date the use of separation incentives has avoided hundreds of RIFs at the installation level. Major DoD industrial organizations such as the Army Materiel Command, the Air Force Materiel Command, the Navy Sea Systems Command, the Navy Air Systems Command, and the Defense Logistics Agency have canceled RIFs due to the skillful use of separation incentives both internally and between DoD Components. Experience to date has shown that incentives have reduced involuntary separation to less than 10% across the Department (about 35,000 incentives were paid in Fiscal Year 1993, with less than 3,000 involuntary separations). Lack of employee mobility has resulted in some involuntary separations even when incentives were offered.

III. STREAMLINING MISSIONS AND PROGRAMS

Part III of this plan describes Department of Defense (DoD) initiatives for reinventing or streamlining the Department's primary missions, programs, and supporting infrastructure in response to the Nation's changing defense requirements and resource constraints.

Restructuring of the Office of the Secretary of Defense

Action: By Fiscal Year 1999 Military Departments, Defense Agencies, and Defense Field Activities will review and restructure their line and staff organizations to streamline their operations, refocus efforts on accomplishing the new post-Cold War mission, and achieve quality and productivity improvements.

Discussion: Recognizing that reinvention must begin at the top, the Department has completely restructured the Office of the Secretary of Defense (OSD) to streamline operations, refocus efforts on accomplishing the new post-Cold War mission, and achieve quality and productivity improvements. The restructuring of OSD will create a more mission-oriented, better managed, and more responsive DoD by improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more authority to lower levels of the organization, and fostering overall excellence in management. This streamlining plan must achieve similar DoD-wide results.

To streamline OSD, the number of units reporting directly to the secretary was reduced from about twenty offices to five primary operational units (Acquisition and Technology; Personnel and Readiness; Comptroller; Command, Control, Communications and Intelligence; and Policy). The secretary may focus primarily on the policy unit, which drives the basic direction of the Department, while the deputy secretary may focus primarily on the resource-oriented units. This streamlining initiative allows the secretary and senior DoD leadership to concentrate more on effective policy formulation rather than implementation (i.e., steering more, rowing less).

To accomplish the new post-Cold War mission, OSD offices were reorganized to focus on DoD's primary missions, and resources were allocated to support those missions. For example, offices were created to address our primary national defense interests (Regional Security; Nuclear Security and Counter-Proliferation; Democracy and Peacekeeping; and Economic Security).

To achieve quality and productivity improvements, OSD will foster a quality culture and undertake a new way of operating through a team approach. The Department has introduced informal cross-cutting working groups which integrate policy across office and operational unit lines and allow a larger segment of DoD to become involved in the decision-making process. Each working group is tailored to a particular task with appropriate members drawn from OSD, the Joint Staff, the Military Service staffs, the intelligence community, and the commands in the field. The working groups foster a team approach to management by encouraging a high level of collaboration among their members and operating in a manner that values argument and differences of opinion and encourages group members to work together to accomplish tasks. The synergy achieved through these teamwork efforts will enhance DoD innovation and continuous improvement, while countering the negative effects of work force downsizing, by improving quality and productivity.

Bottom-Up Review of Defense Requirements

Action: The Under Secretary of Defense (Acquisition and Technology), with DoD Comptroller and Director, Program Analysis and Evaluation assistance, will ensure that the appropriate focus is kept on implementing the decisions approved in the DoD Bottom-Up Review throughout the Department's planning, programming, budgeting, and budget execution process beginning in January 1994.

Discussion: In response to the President's direction that DoD examine U. S. defense forces in light of new security challenges, the Department must review and redefine the strategy, tactics, doctrine, size and shape of the forces required to meet the demands of the new international security environment. Along with the restructuring of OSD, the Department undertook a Bottom-Up Review to reinvent itself in a creative and dynamic way in response to the end of the Cold War. The scope of this review was unprecedented, encompassing all major elements of defense planning--from the formulation of strategy and the identification of force structure requirements, to weapon system modernization and the reconfiguration of the DoD support infrastructure. The Department has also initiated a *Nuclear Posture Review* to reassess our nuclear policy in light of the new international security environment.

First, the review identified dangers posed by nuclear weapons and other weapons of mass destruction (i.e., biological and chemical weapons) and developed strategies of nonproliferation, cooperative threat reduction, and counterproliferation to address them. Second, it identified new dangers of regional conflict and developed a strategy based on defeating aggressors in major regional conflicts, maintaining regional stability, and conducting smaller-scale intervention operations, such as treaty enforcement, peacekeeping, humanitarian assistance, and disaster relief to further our national interests and goals. Third, it identified new dangers to democracy and opportunities for democratic reform and developed a strategy to draw democratizing states in central and eastern Europe, Russia, Ukraine, and other former Soviet republics into deeper partnership, while strengthening our bilateral and multilateral ties in central and eastern Europe and retaining the means to rebuild a larger force structure, should one be needed in the future. Last, it identified new dangers to the Nation's economic prosperity and developed a strategy for DoD assistance in accelerating our national economic growth and promoting global economic well-being. The review also identified specific objectives supporting each of these defense strategies, which provide a framework for determining force structure and modernization requirements, and three guiding principles for building future defense capabilities: (1) keep our forces ready to fight; (2) maintain the quality of our people; and (3) maintain the technological superiority of our weapons and equipment.

Given this national defense strategy, supporting objectives, and guiding principles, the review identified the forces, capabilities, modernization requirements, and policy initiatives needed for implementation. As a result, DoD will reduce combat forces and related support forces, including cuts in the infrastructure of bases, centralized

maintenance depots, and supply facilities. The mix of forces will also change to respond to post-Cold War security challenges. In general, the resulting force will be smaller and less expensive than the base force, with fewer people, fewer systems, and smaller programs. Also, more defense infrastructure will be returned to productive, private reuse, consistent with the President's plan for revitalizing the American economy. That plan includes: (1) job centered property disposal that puts local economic development first; (2) easy access to transition and redevelopment help for workers and communities; (3) fast-track environmental cleanup; (4) larger economic development planning grants; and (5) transition coordinators at major bases slated for closure.

The review decisions will become adjustments to the Fiscal Year 1995-1999 baseline (\$1,325 billion) program. Force structure decisions will reduce funding requirements by \$24 billion from the baseline program. Estimated savings in infrastructure programs (e.g., reductions in headquarters and cuts in civilian personnel levels) total \$19 billion. The realigned ballistic missile defense program will generate savings of about \$21 billion, while the net effect of other modernization and investment decisions will be about \$32 billion in savings. New initiatives (e.g., cooperative threat reduction; counter-proliferation efforts; expanded contacts and cooperation with the states of the former Soviet Union; global initiatives to promote democracy; peacekeeping and peace enforcement operations; and humanitarian assistance) will add about \$5 billion to the baseline program. In summary, review decisions will achieve an estimated \$91 billion in savings (during FY 1995-1999) from the \$1,325 billion baseline program. This streamlining plan addresses how the Department will achieve the civilian work force reductions and realize the net savings projected by the review.

Base Closure and Realignment

Action: The Under Secretary of Defense (Acquisition and Technology), with DoD Comptroller assistance, will evaluate base closure and realignment opportunities and implement approved decisions throughout the Department's planning, programming, budgeting, and budget execution process beginning in January 1994.

Discussion: As the Nation's defense requirements change, base closures and realignments maintain military effectiveness while drawing down the force, reducing the deficit, and reinvesting in America. Closing military bases worldwide saves taxpayer dollars. It permits DoD to invest properly in the forces and bases it keeps in order to ensure their continued effectiveness, and it frees up valuable defense assets (i.e., people, facilities, and real estate) for productive private sector reuse. Military base closure and realignment--

- Saves money that would otherwise go to unnecessary overhead.
- Supports military effectiveness by reducing competition for ever scarcer resources.
- Is fair and objective.
- Targets bases overseas with higher priority than those at home.
- Supports the reinvestment necessary to foster economic growth.

Historically, base closures and realignments have lagged behind DoD budget reductions. No bases were closed until about two years ago, following decisions made in the 1988 and 1991 rounds of base closures and realignments. Under those two rounds, domestic base structure was reduced by only nine percent, measured by plant replacement value. The 1993 program, coupled with the previously approved 1988 and 1991 programs, will reduce the domestic base structure by about 15 percent, measured by plant replacement value. All three rounds of closures and realignments together, when complete in 1999, will result in \$5.6 billion in annual recurring savings, measured in Fiscal Year 1999 dollars. The 1993 DoD recommendations were based on the final selection criteria established for base closures and realignments as applied to a six-year force structure plan developed prior to more recent assessments of defense requirements. The Department is confident, therefore, that future changes will decrease force structure and will require more, not fewer, base closures and realignments than those recommended thus far. Details regarding numbers of base closures and realignments, impact on the defense employees and communities involved, and budget reductions may be found in the DoD Base Closure and Realignment Report, March 1993.

Closing domestic military bases is difficult, especially for the communities affected. A close working relationship between the bases and the local communities is essential to helping the closure process proceed smoothly. Early development of a viable reuse plan speeds the process immensely and benefits everyone because economic recovery is expedited and DoD savings are realized sooner. The Department is committed to the close cooperation needed to make this happen. DoD is developing a new reuse and reinvestment strategy with initiatives that will: (1) close bases more

quickly, thereby making them available for reuse more quickly; (2) promote reuse opportunities, in concert with local community efforts; and (3) refocus DoD internally to consider, for the first time, the trade-offs between DoD needs and local community needs.

In addition, DoD wants to ensure, wherever possible, that environmental cleanup is not a barrier to economic recovery. DoD has spent and will continue to spend significant resources on environmental restoration, but will need help from Congress and the Environmental Protection Agency to streamline the process.

Lastly, DoD, in coordination with other Cabinet agencies, will work to create a new community economic redevelopment fund to help communities most affected by base closures. The fund will be used as a catalyst to spur new economic growth, especially where recovery would be difficult. Funding will be provided by setting aside a portion of the net savings from base closures

The Department must devote continuing attention to closing and realigning military bases as an essential component of efforts to reconcile the drawdown of forces and budgets with infrastructure and overhead costs. By downsizing this way, the Department makes resources available to maintain the quality of its people and the technological edge of their weapons and systems.

IV. STREAMLINING FUNCTIONS AND PROCESSES

Part IV of this plan describes the Department of Defense (DoD) initiatives for reinventing or streamlining the Department's secondary functions and support processes in response to the changing DoD mission requirements and infrastructure needs.

Defense-Wide Management Initiatives

The streamlining of DoD missions and programs provides new impetus for efforts to streamline their supporting functions and processes. These efforts include defense-wide management initiatives across all functional areas, as well as management initiatives within specific functional areas.

The major defense-wide management initiatives are listed below in the order that they are presented:

- *Defense Performance Review:* Implement the National Performance Review.
- *Defense Regulatory Reform:* Streamline internal regulations and guidance.
- *Benchmarking of Best Practices:* Improve business methods and practices.
- *Functional Process Improvement:* Improve functional processes and support.
- *Outsourcing of Non-Core Functions:* Improve operations and economy.
- *Reinvention Laboratories:* Experiment with "new ways of doing business".

The specific functional area management initiatives are listed below in the order that they are presented:

- *Information Management:* Improve defense corporate information management.
- *Acquisition Management:* Reinvent and reform the acquisition system.
- *Financial Management:* Improve the financial management system.
- *Human Resource Management:* Improve the civilian personnel management systems.

Defense Performance Review.

Action: The Deputy Secretary of Defense will ensure that the Department implements the principles of the National Performance Review beginning in January 1994.

Discussion: Along with the restructuring of OSD and the Bottom-Up Review of defense requirements, the Department undertook a Defense Performance Review (DPR) as part of the President's National Performance Review (NPR) to identify successful innovations and management improvements for the Department. The DPR is building on previous DoD successes and the principles of quality leadership, management, and culture to devise innovative ways to encourage more business-like practices and market-driven efficiencies in the Department.

The DPR provides background, specific actions, implications, and fiscal impact associated with each of twelve streamlining initiatives. DPR teams drawn from every part of DoD identified seven prototypes for reinventing or streamlining the Department. The first prototype addresses steps to deploy a quality culture throughout the Department. The second provides a process for reviewing internal policy to separate policy and procedure. The goal is to define policy clearly, eliminate unnecessary procedures, and develop performance metrics to measure success. The third and fourth prototypes propose competition and outsourcing of non-core DoD functions when doing so makes operational and economic sense, and purchasing best-value common services and supplies. The fifth and sixth prototypes focus on establishing "Installations of Excellence" where commanders and their people are empowered with maximum flexibility in a manner that benefits the Department and its people over the long term. These bases will demonstrate national leadership in environmental cleanup, conservation, compliance and pollution prevention to create a healthy and safe environment for DoD activities. The seventh prototype involves a three-pronged approach to expanding the use of technology in the DoD medical system in order to manage and deliver the highest quality health care at the lowest possible price and maximize the efficiency of DoD health care operations. In addition, the NPR DoD Agency Team identified the five following initiatives: streamlining and reorganizing the Army Corps of Engineers, creating incentives for the Department to generate revenues, establishing a unified budget for the Department, establishing and promoting a productivity-enhancing capital investment fund, and reducing some National Guard and Reserve costs. Some examples of these DPR prototypes are described below.

Installations 2000 (DPR Prototype). This prototype includes a wide range of initiatives intended to eliminate barriers to effective management for DoD installation commanders. For example, the prototype will provide flexibility in funding to allow the most effective use of resources. It will provide incentives for adoption of practices that reduce costs and improve productivity by allowing retention and reinvestment of some of the savings resulting from process improvements. It will provide authority, flexibility and resources necessary to achieve operational goals in the most cost-effective way, as

determined by the commander. It will use life cycle costing in the decision making process as they typically are used in the private sector. It will reduce wholesale supply inventories. And it will provide flexibility in renting or buying office space.

Best Value Common Supplies and Services (DPR Prototype). The objectives of this prototype vary by the function which the prototype supports.

- *Procurement.* The prototype will provide purchasing flexibility to installation commanders. It will develop new methods of procuring lumber and wood products, and establish "just-in-time" supply of hazardous materials. It will institute the use of credit cards for obtaining supplies and services. It will increase dollar thresholds for use of "small purchase" methods and implement simplified small purchase procedures.
- *Depot Support.* The prototype will establish variable pricing for services and will match prices for goods and services provided by agency sources to those available in the market place. It will also create logistics support detachments at installations that are tailored to meet the customer's needs.
- *Base Supply.* The prototype will test alternative ways of operating base supply stores.
- *Common Support Services.* The prototype will implement cooperation among the DoD Components in providing services on a regional basis.

Environmental Demonstrations (DPR Prototype). This prototype will address five major issues: (1) partnering between DoD and federal, state, and local entities; (2) clean up of the environment; (3) use of environmental technology; (4) prevention of pollution; and (5) establishment of regional environmental offices. These issues were selected because they offer opportunities to change fundamentally the environmental program to accomplish significant improvement.

Medical Information Technology (DPR Prototype). This prototype will maximize the use of automation, telecommunications, personnel and administrative support for health care delivery. Current technology will be used to the fullest extent in an effort to maintain records, communicate throughout the system, and carry out other business functions. The prototype will accelerate the deployment of currently available commercial technology into one of 12 DoD health care regions, with the eventual goal of deploying it throughout the system. It will also seek to use technology to improve the increasing proportion of health care delivered on an outpatient or ambulatory basis.

The synergy of these efforts will enhance DoD innovation and continuous improvement with improved quality and productivity of the defense work force. The result will be a DoD management system that will reaffirm its commitment to serving the interests of its customers, the American people, by focusing on mission orientation rather than bureaucratic processes. It will empower all echelons of DoD through collaborative

decision making. Upper managerial levels will focus on policy formulation rather than implementation (i.e., steering more, rowing less). It will promote experimentation, create incentives for positive behavior rather than dictating behavior, and search for market-driven rather than administrative solutions. Finally, it will foster excellence throughout DoD by emphasizing that quality is the first priority. The Department will become more results- and performance-oriented, and will operate more effectively and at less cost.

Defense Regulatory Reform.

Action: The Director, Administration and Management will ensure that the Department complies with Executive Order 12861 to cut 50 percent of internal regulations and thereby streamline and improve business operations of the Department.

Discussion: Regulatory reform has been a continuing effort in the Department since 1989. Recently, a comprehensive evaluation was undertaken of all DoD regulations and directives that were part of the acquisition process. This effort resulted in the cancellation of 51 issuances and the consolidation or simplification of another 84 issuances. A separate initiative to simplify the Defense Federal Acquisition Regulation Supplement (DFARS) resulted in the consolidation of all contracting policies, procedures, and forms into one 1,600-page document that previously consisted on a series of issuances totaling 2,500 pages. As part of another initiative begun in 1991 to restructure and decentralize decision making, the Department of the Air Force conducted a total policy review of its regulations. Starting with 1,510 regulations consisting of 45,651 pages, the Air Force is now headed towards a system comprised of about 170 Policy Directives (550 pages) and 750 Instructions (17,000 pages).

The Air Force experience illustrates the way to ameliorate the regulatory reform problem. The Air Force leadership recognized that written regulations had blurred the distinction between policy and procedure. The result was headquarters organizations performing actions that should have been left to the field and, with unclear policy, field personnel who were unsure of the authority they had. Clarifying policy directives and limiting procedural guidance to only that which is absolutely necessary is now empowering people, reducing regulatory burdens, and freeing up individuals to use their creative energy and talents to improve performance.

This streamlining plan requires the Department to build on these successes with an expanded regulatory reform initiative. Implementation of this initiative has already begun. To date, a DoD Regulatory Policy Officer has been appointed, and a comprehensive plan to review DoD internal management regulations has been developed with a goal of clarifying policy directives, eliminating unnecessary or excessively burdensome guidelines and procedures, and streamlining the Department's regulatory structure. Consistent with Executive Order 12861, the plan also calls for reducing Departmental regulations by 50 percent. Organizational and training meetings have been conducted with DoD regulatory points of contact and the effort is well underway. Its progress is being monitored at the highest echelons of the Department and continuing top-level influence will be exerted to maintain the momentum necessary to ensure success.

Benchmarking of Best Practices.

Action: The DoD Comptroller will aid the Department with the use of the benchmarking tool and recommend that the results of benchmarking efforts be taken into consideration in making resource management decisions in the Department's planning, programming, budgeting, and budget execution processes beginning in January 1994.

Discussion: "Benchmarking" is a systematic process for evaluating products, services, and work processes that are recognized as best-in-class for the purpose of organizational improvement. Benchmarking involves comparing internal DoD business performance against external standards of excellence, and then closing the gap. It is a structured analysis which examines an internal DoD business process, identifies drivers of the process, identifies "best-in-class" external standards of excellence, and implements DoD process improvements. It short-circuits the "do a little better, a little faster" evolutionary approach to business process improvement by identifying opportunities for innovation as well as continuous improvement. Benchmarking frequently results in quantum leaps in organizational improvement, significant cost reductions, substantial streamlining or dramatic reductions to cycle time.

Consistent with the National Performance Review recommendation that benchmarking be used to streamline the bureaucracy and reduce costs, the Defense Planning Guidance directs a 12 percent reduction in the defense infrastructure by Fiscal Year 1999 and recommends the use of "best business practices" as a means to make this reduction. Thus, a key objective of this streamlining plan is to adopt benchmarking as a way to improve DoD business practices and reduce the costs of the defense infrastructure.

Functional Process Improvement.

Action: The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) will--

- Assist the Department to continue its functional process improvement (business process re-engineering) efforts.
- Incorporate lessons learned from prior re-engineering projects and industry benchmarks into the Department's approach by January 1994.

Discussion: Functional process improvement, also known as business process re-engineering, enables the Department to eliminate non-value-added steps and to perform essential steps more effectively and efficiently. The premise of business process re-engineering is that the people who perform functions are those who should be in charge of changing them. From a Defense-wide point of view, this means that the person responsible for leadership of each function--namely, the Secretary of Defense's Principal Staff Assistant for that function--has the responsibility for streamlining the processes within his or her purview and for ensuring the participation of the affected Military Departments and other DoD elements. As the functional process owner, the Principal Staff Assistant engages the Military Departments and other DoD elements in functional redesign efforts. Authority for making these changes also rests with that Principal Staff Assistant. Their managers and employees are empowered to examine the ways they do business, including the underlying assumptions, and implement innovations and improvements needed to reduce costs and improve performance.

The Department now has about 230 process re-engineering efforts underway, in such diverse areas as medical logistics, force mobilization, management of the electronic spectrum, and military base management and operations. The results of some of DoD's process improvement programs are found in other sections of this plan, for example, under financial management and human resource management initiatives.

The Deputy Secretary of Defense has designated the Assistant Secretary of Defense for Command, Control, Communications and Intelligence (ASD(C3I)) to provide assistance to all DoD functional process improvement efforts under the Defense Corporate Information Management (CIM) initiative. The CIM initiative uses techniques that have proven to be successful in industry for streamlining work processes. Most of the re-engineering efforts use a management tool that was originally used to streamline manufacturing. This type of tool converts easily to examining any workplace process, and it is also easy to understand. It looks at both the processes involved and the information needed at each step. By examining the data along with the processes, oftentimes steps can be eliminated just by electronically sharing or accessing information that is already available.

Targets for process improvement are selected by Defense functional managers. Selection criteria vary by functional area. The medical community, for example, is improving its administrative support to battlefield medical evacuation. This effort is in response to both problems identified in actual evacuations and improvements in tactical data transmission. The personnel community, recognizing the need to improve customer service, is driving the re-engineering efforts on processing military reservist retirement credits and in passing personal information on former military members to the Department of Veterans Affairs. Cutting costs is also a major selection criterion. An example is the effort to reduce the replenishment cycle time for small purchases from 100 days to 4 days. This effort should cut annual overhead costs by about \$100 million.

In a process re-engineering effort, the Defense Investigative Service found that they will be able to reduce the time required grant a security clearance from 3 to 6 months down to about 3 weeks. This effort will require automating some parts of the process and sharing information electronically among investigators, adjudicators, and others involved in the process. As a result, background investigations will no longer be performed in the sequential-, paper-processing mode that currently takes so much time.

Another CIM effort is streamlining the administrative processes for troop deployment. For example, initial studies have identified a potential 70 percent reduction in work hours needed for soldier readiness processing. Not only could this effort save \$4 million over six years, it could also reduce response time to unanticipated crises. Process re-engineering is also being used to identify and eliminate points of confusion in deploying forces from different Military Services. A common understanding of mobilization processes saves lives by reducing the "fog of war", and it saves money by eliminating rework and correction costs.

Process re-engineering can often involve the introduction of new technologies to enhance operations. For example, the Uniformed Services Identification Card will be the size of a credit card. Unlike ordinary credit cards, this identification card will be tamper-resistant, secure, and durable. This change will be implemented using existing equipment with minor enhancements, such as in the camera and software. Production savings alone will be about \$160 million over eight years.

The ASD(C3I) recently completed a benchmarking study on functional process improvement. This study found that DoD's re-engineering program is comparable to successful programs in industry. DoD's process is more detailed, owing to the need to cut across Military Service lines and to harmonize with other process improvement efforts in related functional areas. For example, payroll and personnel process improvements must relate to each other. Inventory and procurement improvements must fit together. And all of these must fit together for military operations.

Functional process improvement (business process re-engineering) is already DoD policy. This streamlining plan requires that its application continue as a means of improving mission performance while reducing costs.

Outsourcing of Non-Core Functions.

Action: The Under Secretary of Defense (Acquisition and Technology) will review the status of the Department's outsourcing programs and initiate any necessary improvements.

Discussion: The declining DoD budget and associated drawdown in civilian and military employees is causing the Department to examine how it accomplishes its diverse functions. Business as usual is no longer affordable. The Department cannot devote significant resources to performing non-core functions when non-DoD providers are available to do them better, cheaper and faster. This streamlining plan requires the Department to outsource non-core functions when it makes operational and economic sense. As a result, DoD will be better able to focus on its core functions and to absorb current and future reductions.

One approach being pursued under the auspices of the National Performance Review is to develop a strategy that maximizes the flexibility of commanders and managers at all levels to outsource non-core functions by eliminating roadblocks, creating incentives, and developing criteria for outsourcing when it makes operational and economic sense. In general, core functions in DoD include combat forces, command of combat forces, deployable combat or combat service support, and the rotational base for personnel in these functions. However, core functions are not limited to combat or combat-related activities. The distinction between core and non-core is used to remove from consideration primary functions which are not viable outsource candidates. The Department has identified broad area candidates for outsourcing, such as base operations support, housing, health services, maintenance and repair, training, labs, security and transportation. Furthermore, nine specific functions have been identified for immediate outsourcing consideration. These functions are:

- Navy--Defense Printing Service
- Army--Morale, Welfare, Recreation Business Programs
- Air Force--Air Education and Training Command Base Operating Support
- National Military Command Center--Conference Switch and Associated Support
- Defense Mapping Agency--Security Guard Functions
- Defense Nuclear Agency--Technical Library Functions
- Defense Information Systems Agency--Network Switched Services
- Defense Finance and Accounting Service--DoD Travel Reimbursements
- Defense Logistics Agency--Defense Reutilization and Marketing Service

Reinvention Laboratories.

Action: The Deputy Secretary of Defense will continue to foster development of "reinvention laboratories" under the auspices of the National Performance Review.

Discussion: "Reinvention laboratories" offer the Department the opportunity for experimenting with creative, innovative ways of doing business, demonstrating the success of these initiatives in improving performance and reducing costs, and providing a basis for expanding successful initiatives throughout the Department. The following is an initial list of DoD reinvention laboratories. The list is growing as individual organizations become aware of the purposes of the National Performance Review. The success of these efforts leads and shows the way for more and more initiatives.

Battle Laboratories - Army. There are six Army Battle Labs which are organized as combined arms and services teams focused on areas where changes in technology, training and doctrine can provide significant leverage to enhance deployment and combat effectiveness of forces. Battle Labs integrate technological and materiel advances, state of the art simulation techniques, and innovative training for field soldiers to reduce life cycle costs, lower technical risks and decrease fielding times for new equipment.

Theater Battle Arena - Air Force. The Theater Battle Arena is a modeling and simulation (M&S) effort hosting constructive, virtual and live simulations. It is interconnected to other M&S centers such as the Advanced Research Project Agency's WARBREAKER, the National Test Facility and the Air Force's Theater Air Command and Control Simulation Facility. Its purpose is to use innovative technological solutions to provide senior decision makers with an analytic tool to evaluate Air Force doctrine, capability, requirements and force structure options.

Enterprise Information and Integration Management - Defense Information Systems Agency. This initiative gives technical support to the re-engineering and restructuring of business and operational methods and processes throughout the Department. This includes integration of the data as well as the information processing resources and applications. DoD functional managers will select the methods and the solutions that offer the greatest return on investment and replicate them throughout the Department.

DoD Science and Technology Laboratory Demonstration Program - Defense Research and Engineering. The purpose of this laboratory is to improve the quality of laboratory equipment, personnel and research and technology products through the demonstration and implementation of streamlined processes. These efforts to improve the laboratory infrastructures are divided into four major categories: laboratory management, contracting/procurement, personnel management, and facilities modernization. The current quality initiatives are designed to empower laboratory directors, streamline the laboratory contracting process, and obtain and retain high quality scientists and engineers. The overall objectives are to increase the effectiveness and

efficiency of DoD science and technology laboratories, maximize their output, attain their goal of being world class laboratories, maintain the technological superiority of our armed forces, and ensure economic security.

Educational Services Consortium - Army Management Engineering College (AMEC). The AMEC is developing methods to obtain full-cost, fee-for-service reimbursement from its customers in order to test more business-like methods of delivering educational services. In addition, AMEC is involved in assisting organizations throughout DoD to radically alter their operations to more effectively serve customers. AMEC leadership is doing this through empowering its work force and reinventing its business and educational processes.

Installations and Logistics Organization - National Security Agency (NSA). The Installations and Logistics Organization within the NSA supplies quality logistical services and provides and maintains safe and environmentally sound facilities in support of the NSA work force and mission. This organization provides safe and environmentally sound facilities (government owned and leased), supplies (stockrooms and supply system), and support services (mail, travel, transportation, custodial, facilities maintenance and modifications, material distribution, warehousing, delivery, and classified material conversion). Based on quality management principles, this organization is developing a model strategic plan for reinvention.

Naval Postgraduate School. The objectives of this laboratory include the development of methods to optimize the tailoring of graduate education to meet unique customer needs, and the elimination of rules, regulations and policies which prevent the organization from becoming as efficient, effective and innovative as possible. The laboratory will capitalize on opportunities to establish partnerships with other DoD activities and will widely publicize its innovations. Opportunities for teaching and consulting with Navy and other DoD organizations will facilitate applications of the methods developed through this laboratory.

Information Management Initiatives

Action: The leaders of DoD's functional areas--namely, the Secretary of Defense's Principal Staff Assistants--will plan to achieve standardization of their data and information systems by December 1996.

Discussion: The Defense Corporate Information Management (CIM) initiative is the most comprehensive information program ever conducted by any government or private sector business organization. This initiative includes innovative programs to help Defense managers streamline their functions and processes and make better use of information technologies where they are appropriate, as well as programs to strengthen and standardize the information technology support in the Department. The CIM initiative includes the following major elements:

- *Functional Process Improvement.* This involves the re-engineering of DoD functional processes to make them more effective and efficient (see section in Part IV, above).
- *Data Administration.* This involves the standardization of data so that it can be shared among functions and passed freely among DoD Components.
- *Information Technology Policy and Standards.* This involves providing a consistent technical basis for Defense information systems, in terms of both hardware and software, while eliminating biases to any given vendor's products and services.
- *Automated Information System Migration.* This involves elimination of duplicative automated information systems supporting any given function, and the development of new information systems for use by all DoD Components.
- *Department-Wide Integration of Information Applications.* This involves providing consistent direction for sharing of information and systems across functions.

The Department has set a target date of March 1994 for the Secretary of Defense's Principal Staff Assistants to determine standard systems in their respective functional areas and establish plans to complete the transition to the selected standard systems within three years. This goal applies to all DoD functional areas, including administration, finance, logistics, personnel, health, command and control, and intelligence. At the same time, each DoD functional area will also address the use of unique data names and formats. Data standardization is also to be completed within three years. Presently, the Department has tens of thousands of data descriptions. This number will be reduced to one per item.

Standardizing information systems and data will make it easier for other Federal agencies to work with DoD. For example, the Department of Veterans Affairs should be enabled to provide benefits immediately upon the separation of a service member from

the Department of Defense. Currently, the service member must wait while DoD records are transcribed from paper or translated from one computer format to another. Standardization will also aid in integrating applications across DoD functions, since all system users will know what the related system and data specifications are. Cross-functional queries for information should not be restricted by inconsistent formats or by unique system requirements.

These CIM programs are enabling the Department to streamline its information infrastructure by reducing the number of data processing facilities and by making the resulting base of hardware and software more flexible and adaptable to technology improvements. The Department has trimmed its data processing centers from 194 to 54 since 1989 when the CIM initiative began. By the end of Fiscal Year 1996, that number will be reduced to 16. There will likely be further reductions as new technologies are introduced to reduce the number of support personnel need in each center and to increase the workload capacity of each center. The goal is to have better, fewer, and "smarter" DoD data processing centers which are comparable to the best in the industry. The resulting reductions in unnecessary data processing sites are included in the DoD base closure and realignment efforts.

The Assistant Secretary of Defense for Command, Control, Communications and Intelligence (ASD(C3I)) is responsible for providing assistance to all Defense managers in their CIM efforts. The Defense Information Systems Agency (DISA) provides technical assistance, which may call for innovation and transition support not commonly found elsewhere within the Department. The Director, DISA has designated the primary DISA support office for CIM efforts, which is the Center for Integration and Interoperability, to be the first "reinvention laboratory" within his agency, as described in an earlier section of this plan.

Acquisition Management Initiatives

The DoD acquisition system is based on a web of laws and regulations adopted for laudable reasons. These laws and regulations are intended to accomplish several objectives: (1) ensure standardized treatment of contractors; (2) prevent fraud, waste, and abuse; (3) ensure that the government's acquisition process is fair; (4) check the government's authority and its demands on suppliers; and (5) further socioeconomic objectives. While these objectives were and may continue to be valid, the combined effect on the present system has been an overload. The system is too cumbersome, and it takes too long to satisfy its customers' requirements. In addition, the system adds cost to the product or service procured, because of required, non-value added, government-specific laws, regulations, and policies. The Department can no longer afford this cost, if it is to meet its mission requirements within current resource constraints.

Compounding this problem is the Department's historical reliance on an industrial base principally dedicated to supporting DoD requirements. These industrial concerns are burdened with many government- and DoD-specific requirements. In these times of reduced resourcing, the Department cannot afford to rely on an industrial base which is under-resourced and dependent on the Department for its existence. The Department must promote the development of an industrial base capable of meeting its needs and competing in the world marketplace. Likewise, the Department must take full advantage of the procurement of commercial items to meet its requirements in the future. By strongly encouraging the procurement of commercial items, the Department will ensure that the latest technology is procured to meet its requirements and that a larger industrial base is available to meet its needs.

This streamlining plan requires the Department to continue examining ways to reinvent or re-engineer the acquisition system and its component business processes, including streamlining acquisition practices, policies, and regulations to make the existing system function more effectively and efficiently. In addition, it requires the Department to continue its strong support for legislative and regulatory change as a way of achieving the required streamlining of the DoD acquisition system.

Acquisition System Re-Engineering.

Action: The Under Secretary of Defense (Acquisition and Technology) will--

- Ensure that the Department continues supporting efforts to streamline acquisition practices, policies, and regulations to make the existing system function more effectively and efficiently.
- Establish a priority implementation of Electronic Commerce/Electronic Data Interchange (EC/EDI) for the procurement of items within the Simplified Acquisition Threshold. Project will begin in January 1994 and be completed by January 1996.
- Establish a policy preference for performance specifications for buying new systems, major modifications, technology generation changes, and commercial items during 1994.
- During 1994, begin re-engineering the acquisition system to provide the most efficient, timely, and effective means of acquiring state-of-the-art goods and best value to the government.

Discussion: Despite the importance of total acquisition reform, it will not happen overnight. It has been attempted many times before without overall success. In addition to identifying the need for change, developing proposals for change, and enunciating the guiding principles for a new acquisition system, the Department must ensure that the changes will be accepted and institutionalized. The Deputy Under Secretary of Defense (Acquisition Reform) (DUSD(AR)) is the DoD focal point for developing a comprehensive and practical step-by-step plan for reinventing and re-engineering every segment of the acquisition system. This plan includes proposals to address the recommendations of the Section 800 Acquisition Streamlining Panel (n.b., Report of the Acquisition Law Panel to the United States Congress, January 1993). It also includes the creation of process action teams to address other statutory and regulatory issues. To support the acquisition system re-engineering effort, the DUSD(AR) chairs a DoD Acquisition Reform Senior Steering Group. The Steering Group members make recommendations on the proposed acquisition reform goals and objectives, identify prospective areas for change, assist in establishing priorities, designate experts to serve on process action teams, make recommendations on issues that could not be resolved by the process action teams, and arrange for implementation of approved plans of action within their respective organizations. The DUSD(AR) will monitor these efforts to ensure the successful implementation of the required changes. While the DUSD(AR) examines ways to re-engineer DoD's business process, other DoD Components will continue to pursue changes in policies, practices, and regulations to make the existing system function more effectively. These efforts will be coordinated, as appropriate, with the DUSD(AR), either directly or through their Steering Group member, to ensure changes are consistent with the approaches of the Acquisition Reform Office.

Legislative and Regulatory Reform.

Action: The Under Secretary of Defense (Acquisition and Technology) will--

- In early 1994, work with the Office of Management and Budget (OMB) and Congress to ensure legislative changes are made to facilitate Acquisition Reform.
- Work to ensure implementation of regulatory changes necessitated by Acquisition Reform legislation within six months of legislative passage.
- During January-March 1994, work with Congress to obtain legislative authorization for the operation of the seven Pilot Programs already identified for Acquisition Reform and approved by OMB.

Discussion: The DoD Acquisition Reform initiative has identified specific legislative and regulatory proposals which form the nucleus of the Department's recommendations for streamlining the acquisition process in the following areas:

- Simplified Acquisition Thresholds
- Socioeconomic and Small Business Programs
- Commercial Item Acquisition
- Defense Acquisition Pilot Program
- Military Specifications and Standards
- Contract Formation
- Contract Administration
- Major Systems and Testing Statutes
- Defense Trade and Cooperation
- Intellectual Property Rights
- Service-Specific Acquisition Laws
- Standards of Conduct

Proposals have been transmitted to OMB and are being factored into the Administration's position on Acquisition Reform legislation. The Department strongly supports actions involving legislative and regulatory change as a way of achieving the required streamlining of the DoD acquisition system.

Financial Management Initiatives

Military readiness is dependent on the optimum use of available resources and a responsive support infrastructure. There is a continuing need to improve the efficiency and effectiveness of the defense support establishment in order to maintain readiness at an affordable cost. The financial management community has a vital role to play in providing timely, accurate, and comprehensive financial information to defense decision makers who are responsible for making tradeoffs among competing demands on resources. In addition, this community should support the use of private sector business practices, to the extent that they are applicable, to the unique needs of the DoD mission. The Department's goal is to establish a robust financial system that allows DoD managers at every level to evaluate the performance of selected support infrastructure operations as well as their costs. To accomplish this goal, the Department has established a Defense Business Operations Fund (DBOF) which focuses on unit costs, and a performance-based budgeting system that focuses on outputs. Each of these initiatives is discussed below.

Defense Business Operations Fund (DBOF) and Unit Cost.

Action: The DoD Comptroller will continue the review of the status of the DBOF and unit cost initiatives directed by the Deputy Secretary of Defense and ensure appropriate actions are taken in the Department's planning, programming, budgeting, and budget execution process to improve implementation of DBOF and unit cost improvement initiatives.

Discussion: The DBOF, with its focus on unit costing, will improve financial management information, facilitate more consistent cost accounting policies and systems, increase cost awareness among decision makers, and reduce overall DoD capital requirements. The unit costing focus is on the relationship between resources and output by using a business-type cost accounting approach which identifies outputs and the costs of producing these outputs, and by making resource allocation decisions based on work performed. The unit cost approach provides a functional management tool to improve operations, a resource management tool to support and evaluate budgets, and a productivity tool to assess and reward performance. Thus, unit cost initiatives support efforts to downsize and streamline the Department by improving: (1) visibility of costs and providing tools to influence and control costs; (2) flexibility of managers and their ability to make trade-off decisions; (3) responsibility of managers by delegating authority for fiscal decisions to the lowest level; and (4) accountability of managers for decision making by linking performance to cost management.

The "DBOF Improvement Plan" (September 1993) identified four categories of actions required to improve DBOF management:

- **Accountability and Control**--Actions to improve the overall effectiveness of DBOF management, assess how well DBOF is operating, evaluate the performance of business areas, and provide continual feedback to ensure objectives are met.
- **Structure**--Actions to ensure that DBOF structure is well-defined, its composition is appropriate, and proper incentives are in place to facilitate sound decision making.
- **Policy and Procedures**--Actions to provide the guidelines for budget execution under DBOF, the mechanics for day-to-day operation of DBOF activities, and the training and education required for sound business and financial management.
- **Financial Systems**--Actions to ensure standardization and modernization of financial management systems.

Implementation of the Government Performance and Results Act.

Action: The DoD Comptroller will review the status of the Department's efforts to implement strategic plans, performance measures, annual performance goals and plans, and reports on actual performance and initiate improvements as necessary to implement National Performance Review principles as well as legislative and regulatory requirements.

Discussion: The Department of Defense is also shifting resource management focus from inputs to outputs and outcomes, consistent with the direction endorsed by the National Performance Review (NPR) and the Government Performance and Results Act (GPRA) of 1993. Starting in 1993, the GPRA requires Federal agencies to identify pilot projects for strategic planning and performance measurement, managerial flexibility, and performance budgeting. The NPR reinforced this by encouraging all agencies to begin strategic planning and performance measurement. The NPR further asks that the Office of Management and Budget amend budget guidance in time for Fiscal Year (FY) 1996 budgets so that agencies can measure and report on past goals and performance as part of their FY 1996 budget requests. The GPRA requires Federal agencies to: develop strategic plans by FY 1997 and performance plans by FY 1997, and report annually on actual performance as part of budget submissions by March 2000.

This focus on output-oriented management processes builds on efforts initiated under the Chief Financial Officer Act and the Defense Business Operations Fund (DBOF). This initiative adopts simplified results-oriented financial management models that focus on outputs and outcomes from a customer perspective. DoD efforts to date include:

- Awareness--The initial efforts to shift focus to output-oriented management began two years ago with the development and issuance of Key Criteria for Performance Measurement that provided the conceptual framework for organizations to use in identifying performance effectiveness measures from a customer perspective.
- Education and Training--Existing education and training curricula for the financial management community are being modified to incorporate the linking of performance measures with financial measures. The Department is also working with the Office of Management and Budget and the Office of Personnel Management to develop government-wide curricula.
- Resource Management--The Department will begin to refine resource management processes to explicitly link costs with effectiveness trends. Where appropriate, performance measures and goals will be linked in FY 1994, by including effectiveness indicators with cost goals on annual operating budgets for DBOF activities.

- Pilots--On November 17, 1993, the Deputy Secretary of Defense nominated the Defense Logistics Agency as the first DoD GPRA performance measurement pilot. The Office of Management and Budget plans a second round of performance measurement pilot nominations in the Spring of 1994. DoD will nominate additional interested pilot organizations at that time.

Human Resource Management Initiatives

As a result of the National Performance Review (NPR) recommendation to decentralize civilian personnel policy, the Department has a unique opportunity to reinvent or streamline its human resource management (HRM) policies, programs, and practices to create a new HRM system that works better at less cost. These initiatives will support the overall DoD downsizing effort by improving quality and productivity within the Department as a whole, as well as improving the effectiveness and efficiency of the HRM functional area.

Defense Quality Leadership.

Action: The Director, Administration and Management will review the status of the Department's Quality Management (QM) policy and programs, and develop initiatives to achieve the following Departmental objectives--

- Advise top leadership and managers on the appropriate application of QM principles and techniques in DoD.
- Develop a plan for incorporating QM into DoD management improvement processes.
- Ensure that DoD employees receive information and training on QM principles and practices.
- Create an environment that promotes QM principles and practices to foster continuous process improvement, encourage creativity and innovation, and nurture the professional growth of employees.
- Ensure that directives, instructions, and policies support QM principles and methodologies.
- Use quantitative measures, wherever possible, to assess progress toward improving quality and productivity in DoD.

Discussion: This streamlining plan requires the Department to incorporate QM principles into every facet of the DoD mission. QM applies the power of teamwork, individual contributions, quantitative methods, and systems theory to achieve the Department's goals. It relies on leadership from all DoD executives to create a quality culture and work environment that will encourage active participation of all members of the Department and its customers and suppliers in identifying and implementing opportunities for innovation and continuous improvement. In a quality culture, employees are empowered to surface problems and fix those for which they have resources. Responsible initiative is required throughout the Department, where resources are limited. Mutual trust between the organization and its employees must be fostered so that everyone is committed to the organization's mission.

Structures that impede long-term organizational efficiencies and constrain the ability to alter direction when required must be changed. To this end, the Department is eliminating layers of management to flatten the organization. This will result in an environment that will demand that everyone contribute and add value to the process. The employee will be accountable for specific assignments and responsible for his or her own contribution to the team.

QM principles have brought measurable success to numerous public and private organizations. They can be used to enhance the ability of each DoD Component, its subordinate elements and employees to accomplish their missions. Many of the needed initiatives are long range in nature and require changes in regulations and policies. Our goal is to develop a true quality defense establishment.

This streamlining plan requires the Department to renew its commitment to quality principles, assess the current state of its transformation to a quality culture and work environment, and continue to pursue improvements necessary to expedite that transformation during Fiscal Year 1995-1999. The DoD Components, particularly the Military Departments and major Defense Agencies, have already progressed in the quality journey well along the path to "total quality".

Work Force Motivation.

Action: The Under Secretary of Defense (Personnel and Readiness) will review the status of the Department's program for work force motivation and initiate necessary improvements.

Discussion: One approach to improving the quality and productivity of DoD operations is to involve and empower employees through Productivity Gain Sharing (PGS) and incentive award programs. This streamlining plan requires the Department to capitalize on its legislative and regulatory flexibilities to develop and implement innovative employee incentive systems.

For example, PGS programs use incentives for employees to improve productivity and achieve more efficient, effective use of resources. The resulting gains (savings) from these improvements are shared between the employees and the organization. Early PGS efforts were in industrial and manufacturing areas, but recent experiments have successfully applied PGS to "white collar" work as well. DoD has experimented with PGS programs since the early 1980s, principally within small industrial units, such as data transcription and supply distribution. Based on DoD success with these prototype PGS programs, Congress provided \$1 million in the Fiscal Year 1992 budget targeted specifically to underwrite PGS implementation efforts within the Department.

In this regard, the Department is currently implementing a five-part plan that includes: (1) development of a "user friendly" guide for the design and implementation of a PGS plan; (2) revision, update, and/or development of PGS training courseware; (3) conducting a DoD-wide PGS conference; (4) PGS program evaluation research; and (5) PGS implementation consultation and assistance by the Navy Personnel Research and Development Center. This plan calls for the DoD-wide PGS conference in 1994, with PGS consultation and assistance services to continue through at least Fiscal Year 1994.

Labor-Management Partnership.

Action: The Under Secretary of Defense (Personnel and Readiness) will review the status of the Department's program for establishing labor-management partnerships and initiate necessary improvements.

Discussion: The National Performance Review (NPR) recommended that the President establish labor-management partnerships as a goal of the Executive Branch. In response, President Clinton issued Executive Order 12871, "Labor-Management Partnerships". The Order recognizes that the involvement of Federal employees and their union representatives is essential to achieving NPR objectives, and that the nature of Federal labor-management relations must be changed so that managers, employees, and unions act together as partners in designing and implementing comprehensive changes necessary to reform the Federal Government.

This streamlining plan requires the Department to use labor-management partnership arrangements as an effective avenue for employees and unions to assist in identifying and implementing opportunities for change. Through such arrangements, unions can provide valuable and necessary insights into how best to streamline DoD organizations and processes. They can advocate improved labor management relationships and simplified dispute resolution processes which can expedite the streamlining process. They can participate in effective quality management and gain sharing initiatives. They can also help to design and implement initiatives which reduce the impact of streamlining on employees.

The Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) is on the National Partnership Council and, in that capacity, helps guide efforts to meet the goals envisioned in the President's National Performance Review. The USD(P&R) also is co-chair of the Defense Partnership Council (DPC). The DPC was chartered under Executive Order 12871 to advise the DoD senior leadership in meeting NPR goals and supporting the highest levels of readiness and national security for the American people and their allies. In addition to the USD(P&R), the DPC consists of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy); the Military Departments' Assistant Secretaries for Manpower and Reserve Affairs; the Director, Administration and Management; other senior line officials; and representatives of the seven unions holding national consultation rights with the Secretary of Defense. The DPC will begin operations in early 1994. It will focus on formation of partnerships at appropriate levels throughout DoD, various training efforts to create improved labor-management relationships, and evaluation of improvements to organizational performance attributable to partnerships. Finally, it will guide DoD input to the NPC and other NPR initiatives.

By involving employees through their elected union representatives, the Department has the opportunity to gain their trust, commitment to change, and political support for necessary legislative changes.

Human Resource Management (HRM) Redesign.

Action: The Under Secretary of Defense (Personnel and Readiness) will ensure that the following initiatives are implemented and operational by Fiscal Year 1998--

- Streamline and deregulate civilian personnel management by consolidating and simplifying policies and procedures within a common regulatory framework.
- Consolidate, streamline, and standardize common staff functions and services to reduce unnecessary overhead and achieve economies of scale.
- Develop and implement the Strategic Information Systems Plan for the Defense Civilian Personnel Data System (DCPDS) to provide a common standard civilian personnel management information system with improved performance and reduced cost.
- Establish regional personnel administration centers to eliminate duplicative administrative support activities performed in installation-level personnel offices.

Discussion: The Department has already begun to redesign its civilian HRM system--eliminating duplicative regulations, support functions, and administrative operations--in order to achieve substantial savings in process. The National Performance Review (NPR) gives further impetus to these efforts by providing a unique opportunity to reinvent the substantive policies that underlie them.

The Department has engaged in a sustained effort to achieve economies and efficiencies in civilian personnel administration. Historically, each DoD Component developed and administered its own separate civilian personnel policies and regulations, functions and services, and information systems, despite the fact that this area is subject to extensive and uniform civil service laws and regulations. The Department is currently eliminating duplicative civilian personnel regulations, data systems, and headquarters and field administrative support functions in order to establish an overarching DoD-wide civilian personnel management structure that is less regulated and layered and more streamlined and efficient.

Beginning in 1991, the Office of the Secretary of Defense (OSD) engaged in a strategy to establish a "corporate" civilian human resource management framework from the 19+ separate (and largely redundant) DoD Component personnel programs that existed. The strategy focused on eliminating redundant and unnecessary personnel regulations, consolidating duplicative staff functions and services, standardizing the Department's civilian personnel information systems (and improving their capabilities at the same time), and combining administrative processing activities to maximize economies of scale. This strategy was designed to produce significant savings by eliminating redundant overhead, streamlining staff and support structures, minimizing

administrative impediments and layers, and taking advantage of new information systems technology and processing economies of scale. Pursuant to this strategy, the following four initiatives were undertaken.

Common Personnel Regulations. The first and most important step in this effort focuses on the elimination of duplicative and unnecessary regulations. An OSD task force, working with the Military Departments and Defense Agencies, examined over 770 DoD Component regulations, manuals, and instructions containing more than 30,000 pages of regulatory guidance. It became apparent that the large volume of regulatory material was redundant, serving only to create a rigid and inflexible system that required layers of staffs and excessive overhead to support the development of what were, for the most part, common (in most cases, government-wide) personnel policies.

This streamlining plan requires the Department to continue to streamline and deregulate civilian personnel management by consolidating and simplifying policies and procedures within a common DoD-wide regulatory framework. These conclusions were made part of DoD's Fiscal Year 1993 budget. The Department is currently consolidating common personnel policies and regulations, eliminating hundreds of issuances, as well as 44 full-time equivalent (FTE) headquarters staff resources, for projected five-year savings of over \$20 million. The goal is to provide a corporate policy structure that regulates only where necessary, and allows DoD managers the full flexibility embodied in law.

Common Staff Resources. In addition to consolidation of common policies, OSD directed the DoD Components to study 15 common civilian personnel administrative staff functions and services. Each of those standard functions and services was being provided separately by each Component, despite the fact that they were governed exclusively by uniform rules and procedures issued by authorities external to the Department (e.g., the Office of Personnel Management and the Department of Labor).

The study concluded that most of these common functions were duplicative, and that their consolidation under a single DoD Field Activity would reduce unnecessary overhead and achieve considerable economies of scale. Several of these consolidations were directed in the Department's Fiscal Year 1994 budget: injury and unemployment compensation claims administration, special salary rate determinations, classification appeals and consistency reviews, civilian Equal Employment Opportunity training, grievance and discrimination complaint investigations, employee relocation services, benefits administration, technical advisory services, and senior-level education. By eliminating excessive duplication of effort, these consolidations will reduce program costs, improve quality, and provide the same or better level of service and response by selecting the best and most efficient practices and applying them across the Department. Once they are fully operational, these consolidated support functions will yield a 15% manpower reduction, with savings in excess of \$40 million over five years. This streamlining plan requires the Department to continue implementation of these changes and the evaluation of additional streamlining opportunities.

Common Information Systems. In 1991, as part of the Department's Corporate Information Management (CIM) initiative, OSD concluded that various separate DoD Component civilian personnel data systems were redundant, resulting in unnecessary and duplicative hardware, systems support, maintenance, and development costs. These separate systems could not even pass common personnel data between them. As a consequence, OSD directed the merger of those duplicative systems into a single standard Defense Civilian Personnel Data System (DCPDS) with common data elements, tables, and software applications.

That merger is well underway. It has already eliminated redundant hardware and systems maintenance and support structures, as well as duplicative and wasteful software development efforts. Those software applications automate various personnel processes and actions, and they are key to improving the efficiency of civilian personnel administration in the Department. In this regard, DoD has established a comprehensive Strategic Information Systems Plan for DCPDS that focuses on achieving maximum savings through centrally managed and coordinated technical and functional business process automation.

Before DCPDS, each DoD Component separately developed its own software to process standard data in common ways. For example, all civilian retirements are processed under uniform Office of Personnel Management rules and procedures, yet all three Military Departments were developing their own duplicative processing software. Under DCPDS, this redundancy has been eliminated, significantly reducing the cost and time associated with the development and deployment of standard software applications that will substantially improve the productivity of DoD's civilian personnel offices.

To provide a platform capable of supporting these applications, OSD has also developed and is executing a corporate capital improvement plan to standardize and upgrade DCPDS hardware and software, with substantial life cycle savings in acquisition and maintenance costs. Finally, OSD has also directed the development of hardware/software linkages that insure the "portability" of data and software applications.

This streamlining plan requires the Department to continue development and implementation of the Strategic Information Systems Plan for DCPDS.

Common Administrative Support. With a standard civilian personnel management information system, further efficiencies are possible through the elimination of duplicative administrative support activities performed by installation-level personnel offices. In some geographic locations (for example, Norfolk, VA and San Diego, CA), DoD installations operate dozens of civilian personnel offices within a few miles of each other, each with its own administrative support staff engaged in largely standardized activities.

Those staffs process paper, in most cases according to uniform rules and procedures, and increasingly, use DCPDS to do so. The Department may achieve

significant economies of scale through the consolidation of these support staffs without disturbing DoD Component chain-of-command relationships. In this regard, the average "servicing ratio" (personnel specialist to employees serviced) in DoD installations is about 1 to 60; however, our larger personnel offices achieve ratios of 1 to 120 or more, and their efficiencies can be applied throughout the Department.

To assess the feasibility of such an approach, OSD is presently sponsoring and funding a number of initiatives that will test the regional consolidation of installation-level civilian personnel office administrative services. The Department of the Army is creating regional support functions in five states in the Southeastern United States and in its European Command. The Army is already operating a regional personnel function in the Tidewater area of Virginia (its Peninsula Civilian Personnel Support Activity) and this will expand to service Defense Commissary Agency headquarters employees; note that the Tidewater consolidation has already improved its servicing ratio from 1:40 to 1:80, with further increases expected.

Similar efforts are underway among several Defense Agencies. The Defense Logistics Agency will provide regional servicing of the remaining Defense Commissary Agency employees nationwide. The Department of Defense Dependent Schools began worldwide administrative support for all of its teaching personnel in September 1993. And the Defense Finance and Accounting Service will service the Defense Information Systems Agency on a regional basis beginning later this year.

These projects are testing a variety of operational concepts, to include: central processing sites for "back room" civilian personnel administrative functions; satellite personnel support offices managed by a central "hub" office; totally centralized personnel servicing; and cross-Component servicing. Project results will provide a conceptual framework for more efficient delivery of personnel administration services and support within and across Component lines, with order of magnitude increases in efficiency anticipated. As a consequence, this approach is being included as part of the DoD input to the Fiscal Year 1995 President's Budget. This streamlining plan requires the Department to continue implementation of this approach.

HRM Redesign Team. With the vision of dynamic leadership and quality people in partnership to accomplish the DoD mission, the Department will strive to hire the best, train them well, and treat them fairly. To support accomplishment of these goals, the Department has formed an internal DoD HRM Redesign Team to focus the Department's efforts on reinventing and streamlining civilian personnel administration. The Team consists of about 30 representatives from the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies. Its charter is to develop and propose new HRM systems for the Department consistent with HRM recommendations and principles in the National Performance Review. The Team will work closely with DoD managers, HRM experts, and unions in developing proposals that are also consistent with the work of the National and Defense Partnership Councils (see Labor-Management Partnership initiative, above). Several members of the Team also serve as management

representatives to various working groups of the National Partnership Council. The Team will produce a draft policy framework by mid-January 1994, a final proposal by March 1994, and an implementation plan by May 1994. The implementation plan will be organized by HRM life cycle phases--requirements, accessions/separations, development, and sustainment. Timelines and taskings will be adjusted as appropriate.

V. SUMMARY

Part V summarizes how the strategies, programs, and initiatives described in this plan will streamline the Department of Defense (DoD) bureaucracy and address the specific objectives of the President's memorandum.

Rightsizing the Civilian Work Force

The DoD strategies and programs for rightsizing the civilian work force (described in Part II) address the requirement to reduce the civilian work force and the requirement to reduce the ratio of supervisors and managers to other employees:

- The Department has implemented *Strategies for Rightsizing the Civilian Work Force* and the *Civilian Adjustment and Re-Employment (CARE) Program* to adjust the size and composition of the civilian work force to meet the changing defense requirements and resource constraints. This approach will enable the Department to achieve the required reductions on schedule, without compromising mission performance and incurring wide-spread reductions-in-force (RIFs).
- The Department has specified programs for *Reductions in Programmed Civilian Work Years*, *Reductions in Management Headquarters Positions*, and *Reductions in Executive, Managerial, and Supervisory Positions* to meet or exceed the requirements in the President's memorandum. The Department has programmed an 18 percent reduction in civilian employment work years, well exceeding the 12 percent objective stated in the President's memorandum, by the close of Fiscal Year 1999. The Department will also halve the ratio of supervisors-managers to other employees from the current ratio of 1:6.5 to the objective ratio of 1:13 by the close of Fiscal Year 1999.

Simplifying the Internal Organization and Administrative Processes

The streamlining initiatives for the Department's primary missions, programs, and supporting infrastructure (described in Part III) relate to the requirement to simplify the internal organization and administrative processes of the Department:

- The Department has completed the *Restructuring of the Office of the Secretary of Defense (OSD)* to streamline the OSD organization and administrative processes, refocus efforts on accomplishing the new post-Cold War mission, and achieve quality and productivity improvements. This plan requires the Military Departments, Defense Agencies, and Defense Field Activities to review their line and staff organizational structures and change them as needed.
- The Department has completed a *Bottom-Up Review* which reinvented the Nation's defense strategy, supporting objectives, and guiding principles, and identified the forces, capabilities, modernization requirements, and policy initiatives needed for implementation. In addition, the Department has initiated a *Nuclear Posture Review* to assess our nuclear policy in light of the new international security environment. As a result, the Department will reduce combat forces and related support forces, including cuts in the infrastructure of bases, centralized maintenance depots, and supply facilities. The mix of forces will also change, and the resulting force will be smaller and less expensive than the base force, with fewer people, fewer systems, and smaller programs. Also, more defense infrastructure will be returned to productive, private reuse, consistent with the President's plan for revitalizing the American economy. This streamlining plan requires the Department to implement decisions approved in the DoD Bottom-Up Review to streamline its primary missions, programs, and supporting infrastructure.
- The Department has recently completed a *Base Closure and Realignment* report which supports the national goals of maintaining military effectiveness while drawing down the force, reducing the deficit, and reinvesting in America. This plan requires the Department to continue evaluating base closure and realignment opportunities and implementing approved decisions to streamline its primary missions, programs, and supporting infrastructure.

The Department has also undertaken a number of Defense-wide management initiatives in all functional areas, as well as management initiatives within specific functional areas, to streamline its secondary support functions and processes (described in Part IV). These initiatives all have the objective of simplifying the Department's internal organization and administrative processes:

- *Defense Performance Review*: Implement the National Performance Review.
- *Defense Regulatory Reform*: Streamline internal regulations and guidance.
- *Benchmarking of Best Practices*: Improve business methods and practices.
- *Functional Process Improvement*: Improve functional processes and support.
- *Outsourcing of Non-Core Functions*: Improve operations and economy.
- *Reinvention Laboratories*: Experiment with "new ways of doing business".
- *Information Management*: Improve defense corporate information management.
- *Acquisition Management*: Reinvent and reform the defense acquisition system.
- *Financial Management*: Improve financial management systems.
- *Human Resource Management*: Improve civilian personnel management systems.

Decentralizing Management Decision Making

Several streamlining initiatives have the objective of decentralizing management decision making as appropriate for improving performance and reducing costs:

- The *Restructuring of the Office of the Secretary of Defense (OSD)* resulted in improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. This plan will achieve similar DoD-wide results.
- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service.
- The *Defense Regulatory Reform* initiative has the goal of clarifying policy directives, eliminating unnecessary or excessively burdensome guidelines and procedures, and streamlining the Department's regulatory structure.
- The *Functional Process Improvement* initiative has as a premise that the people who perform functions are those who should be in charge of changing them.
- Various *Reinvention Laboratory* initiatives have the objective of eliminating barriers to effective management and streamlining management decision making.
- The *Acquisition Management* initiatives--especially, *Legislative and Regulatory Reform*--have the objective of streamlining acquisition management decision making.
- Various *Human Resource Management* initiatives have the objective of streamlining management decision making:
 - *Defense Quality Leadership* initiative has the objective of decentralizing management decision making through applications of teamwork as well as individual contributions, quantitative methods, and systems theory.
 - *Labor-Management Partnership* initiative has the objective of decentralizing management decision making through development and application of partnerships among managers, employees, and union representatives.
 - *Human Resource Management Redesign* initiative has the objective of eliminating barriers to effective management and streamlining management decision making in civilian personnel management.

Reducing Overcontrol and Micromanagement

Several streamlining initiatives have the objective of reducing overcontrol and micromanagement:

- The *Reductions in Programmed Civilian Work Years* will include specific goals for reducing civilian employment work years devoted to oversight and control functions.
- The *Reductions in Management Headquarters Positions* will include reductions in positions devoted to oversight and control functions.
- The *Reductions in Executive, Managerial, and Supervisory Positions* will make reductions in positions involving oversight and control functions performed by executive, managerial, and supervisory personnel.
- The *Restructuring of the Office of the Secretary of Defense (OSD)* resulted in improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. This plan will achieve similar DoD-wide results.
- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service.
- The *Defense Regulatory Reform* initiative has the goal of clarifying policy directives, eliminating unnecessary or excessively burdensome guidelines and procedures, and streamlining the Department's regulatory structure.
- The *Functional Process Improvement* initiative includes streamlining management decision making processes as well as other functional processes.
- Various *Reinvention Laboratory* initiatives have the objective of reducing overcontrol and micromanagement.
- The *Acquisition Management* initiatives--especially, *Legislative and Regulatory Reform*--have the objective of reducing overcontrol and micromanagement.
- The *Human Resource Management* initiatives--especially, *Defense Quality Leadership* and *Human Resource Management Redesign*--have the objective of reducing overcontrol and micromanagement.

Delegating More Responsibility and Authority

Several streamlining initiatives have the objective of delegating more responsibility and authority as appropriate for improving performance and reducing costs:

- The *Restructuring of the Office of the Secretary of Defense (OSD)* resulted in improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. This plan will achieve similar DoD-wide results.
- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service.
- The *Functional Process Improvement* initiative has as a premise that the people who perform functions are those who should be in charge of changing them.
- The *Reinvention Laboratory* initiatives have as a basic requirement the delegation of the responsibility and authority necessary to develop, test, and evaluate creative, innovative ways of doing business, demonstrate the success of those initiatives in improving performance and reducing costs, and provide a basis for expanding the successful initiatives throughout the Department.
- The *Acquisition Management* initiatives--both *Acquisition System Re-Engineering* and *Legislative and Regulatory Reform*--have as a basic requirement the delegation of more responsibility and authority as a way of streamlining the acquisition system, improving performance, and reducing costs.
- The *Financial Management* initiatives--particularly *Defense Business Operations Fund (DBOF)* and *Unit Cost*--have as a basic requirement the delegation of more responsibility and authority as a way of streamlining the financial management system, improving performance, and reducing costs.
- The *Human Resource Management* initiatives--particularly *Defense Quality Leadership* and *Human Resource Management Redesign*--have as a basic requirement the delegation of more responsibility and authority as a way of streamlining the civilian personnel management system, improving performance, and reducing costs.

Empowering Employees to Make Decisions

Several streamlining initiatives have the objective of empowering employees to make decisions for improving performance and reducing costs:

- The *Restructuring of the Office of the Secretary of Defense (OSD)* resulted in improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. This plan will achieve similar DoD-wide results.
- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service.
- The *Defense Regulatory Reform* initiative will empower employees to make decisions by clarifying policy directives, eliminating unnecessary or excessively burdensome guidelines and procedures, and streamlining the Department's regulatory structure.
- The *Functional Process Improvement* initiative has as a premise that the people who perform functions are those who should be in charge of changing them.
- The *Reinvention Laboratory* initiatives have as a basic requirement the delegation of the responsibility and authority necessary to develop, test, and evaluate creative, innovative ways of doing business, demonstrate the success of those initiatives in improving performance and reducing costs, and provide a basis for expanding the successful initiatives throughout the Department.
- The *Acquisition Management* initiatives--both *Acquisition System Re-Engineering* and *Legislative and Regulatory Reform*--have as a basic requirement the delegation of more responsibility and authority as a way of streamlining the acquisition system, improving performance, and reducing costs.
- The *Financial Management* initiatives--particularly *Defense Business Operations Fund (DBOF)* and *Unit Cost*--have as a basic requirement the delegation of more responsibility and authority as a way of streamlining the financial management system, improving performance, and reducing costs.
- The *Human Resource Management* initiatives--particularly *Defense Quality Leadership*, *Work Force Incentives*, and *Labor-Management Partnership*--have as a basic requirement empowering employees and rewarding them for improving performance and reducing costs.

Holding Managers and Employees Accountable

Several streamlining initiatives have the objective of improving mechanisms for holding managers and employees accountable for their performance:

- The *Restructuring of the Office of the Secretary of Defense (OSD)* resulted in improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. This plan will achieve similar DoD-wide results.
- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service. It will also result in improving mechanisms for holding them accountable for their performance.
- Various *Reinvention Laboratory* initiatives have the objective of improving accountability of managers and employees for their performance.
- The *Acquisition Management* initiatives--especially, *Legislative and Regulatory Reform*--have the objective of improving the accountability of managers for their performance.
- The *Financial Management* initiatives--particularly *Defense Business Operations Fund (DBOF)* and *Unit Cost and Implementation of the Government Performance and Results Act (GPRA)*--have as a basic requirement improving the accountability of managers for their performance.
- The *Human Resource Management* initiatives have as a basic requirement improving the accountability of managers and employees for their performance.

Improving Quality and Customer Service

Several streamlining initiatives have the objective of improving quality and customer service:

- The *Restructuring of the Office of the Secretary of Defense (OSD)* resulted in improving horizontal integration of OSD offices, encouraging senior management to focus more effectively on developing appropriate policies, delegating more responsibility and authority to lower levels of the organization, and fostering overall excellence in management. This plan will achieve similar DoD-wide results.
- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service. It will also result in improving mechanisms for holding them accountable for their performance.
- The *Benchmarking of Best Practices* initiative involves comparing internal DoD performance against external standards of excellence, and then closing the gap. It is a structured analysis which examines an internal DoD business process, identifies drivers of the process, identifies "best-in-class" external standards of excellence, and implements DoD process improvements. It short-circuits the "do a little better, a little faster" evolutionary approach to business process improvement by identifying opportunities for innovation as well as continuous improvement. Consistent with the National Performance Review recommendation that benchmarking be used to streamline the bureaucracy and reduce costs, the Defense Planning Guidance directs a 12 percent reduction in the defense infrastructure by Fiscal Year 1999 and recommends the use of "best business practices" as a means to make this reduction.
- The *Functional Process Improvement*, also known as business process re-engineering, initiative enables the Department to eliminate non-value-added steps and to perform essential steps more effectively and efficiently. The premise of business process re-engineering is that the people who perform functions are those who should be in charge of changing them. These managers and employees are empowered to examine the ways they do business, including the underlying assumptions, and implement innovations and improvements needed to reduce costs and improve performance.
- The *Human Resource Management* initiatives--especially *Defense Quality Leadership*, *Work Force Motivation*, and *Human Resource Management Redesign*--have the objective of improving quality and customer service.

Improving Work Force Morale and Productivity

Several streamlining initiatives have the objective of improving morale and productivity:

- The *Defense Performance Review* initiative requires the Department to implement the principles of the National Performance Review. Achieving this goal will result in delegating more responsibility and authority to line managers as well as empowering employees to improve quality, productivity, and customer service.
- The *Human Resource Management* initiatives--especially *Defense Quality Leadership*, *Work Force Motivation*, *Labor-Management Partnership*, and *Human Resource Management Redesign*--have the objective of improving work force morale and productivity.

Achieving Cost Savings and Performance Benefits

Several streamlining initiatives have the objective of achieving cost savings:

- The *Restructuring of the Office of the Secretary of Defense (OSD)*, *Bottom-Up Review*, and *Base Closure and Realignment* initiatives will all achieve cost savings and performance benefits by streamlining primary missions, programs, and supporting infrastructure.
- The defense-wide management initiatives in all functional areas--*Defense Performance Review*, *Defense Regulatory Reform*, *Benchmarking of Best Practices*, *Functional Process Improvement*, *Outsourcing of Non-Core Functions*, and *Reinvention Laboratories*--will all achieve cost savings and performance benefits by streamlining secondary functions and support processes.
- The *Information Management* initiatives will achieve cost savings and performance benefits in the areas of functional process improvement, data administration, information technology policy and standards, automated information system migration, and department-wide integration of information applications.
- The *Acquisition Management* initiatives--*Acquisition System Re-Engineering* and *Legislative and Regulatory Reform*--will achieve cost savings and performance benefits in acquiring products and services.
- The *Financial Management* initiatives--*Defense Business Operations Fund (DBOF)* and *Unit Cost and Implementation of the Government Performance and Results Act (GPRA)*--will achieve cost savings and performance benefits in resource management.
- The *Human Resource Management* initiatives--especially *Defense Quality Leadership*, and *Human Resource Management Redesign*--will achieve cost savings and performance benefits.

APPENDIX